



The Royal Bank of Scotland

(incorporated under the laws of Scotland with limited liability under the Companies Act 1948 to 1980, with registered number SC090312)

€15 billion

Global Covered Bond Programme unconditionally and irrevocably guaranteed as to payments of interest and principal by

RBS Covered Bonds Limited Liability Partnership
(a limited liability partnership incorporated in England and Wales)

Under this €15 billion global covered bond programme (the **Programme**), The Royal Bank of Scotland plc (the **Issuer**) may from time to time issue bonds (the **Covered Bonds**) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The price and amount of the Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

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

Covered Bonds may be issued in bearer or registered form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €15 billion (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

See **Risk Factors** on page 31 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.

This Prospectus constitutes a Base Prospectus for the purposes of the Directive 2003/71/EC (the **Prospectus Directive**). Application has been made to the Financial Services Authority (the **FSA**) which is the United Kingdom competent authority under the Financial Services and Markets Act 2000 (the **FSMA**) for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom (the **UK Listing Authority**), for approval of this Prospectus as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Covered Bonds (other than N Covered Bonds) issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Covered Bonds to be admitted to trading on the regulated market of the London Stock Exchange which is a "regulated market" for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) (the **regulated market of the London Stock Exchange**). Admission to the Official List together with admission to the regulated market of the London Stock Exchange constitutes official listing on the London Stock Exchange. References in this Prospectus to Covered Bonds being "listed" (and all related references) shall mean that such Covered Bonds have been admitted to trading on the regulated market of the London Stock Exchange and have been admitted to the Official List. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to each Series (as defined under "*Terms and Conditions of the Covered Bonds*") of Covered Bonds will be set out in a separate document containing the final terms for that Series (**Final Terms**) which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of such Series of Covered Bonds.

The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or regulated or unregulated markets as may be agreed between the Issuer, the LLP, the Bond Trustee (as defined below) and the relevant Dealer(s). The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any regulated or unregulated market.

On 1 April 2010, 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) (the **RCB Regulations**).

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

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

Each Series of Covered Bonds issued under the Programme will have the rating set out in the applicable Final Terms document. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Arranger and Dealer for the Programme



The Royal Bank of Scotland

The date of this Prospectus is 30 April 2010

This Prospectus has been approved by the UK Listing Authority as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive) and has been published in accordance with the prospectus rules made under the FSMA. This Prospectus is not a prospectus for the purposes of Section 12(a)(2) or any other provision or order under the Securities Act.

The Issuer and the LLP (each a Responsible Person) each accept responsibility for the information contained in this Prospectus (the Prospectus). To the best of the knowledge and belief of each of the Issuer and the LLP (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in the document) and, as far as the Issuer and the LLP are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Copies of each set of Final Terms (in the case of Covered Bonds to be admitted to the Official List) will be available from the registered office of the Issuer and (in the case of Covered Bonds to be admitted to the Official List, to listing on any other regulated or unregulated market or stock exchange and also all unlisted Covered Bonds) from the specified office set out below of each of the Paying Agents (as defined below).

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

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

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

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

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

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

As set forth in the applicable Final Terms, the Covered Bonds are being offered and sold (i) in reliance on Rule 144A under the Securities Act (Rule 144A), in each case to "qualified institutional buyers" (as defined in Rule 144A) (QIBs) and/or (ii) in accordance with Regulation S under the Securities Act (Regulation S) to non-US persons in offshore transactions. Prospective purchasers are hereby notified that the sellers of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

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

Prospectus and the offer or sale of Covered Bonds in the United States and the United Kingdom, see "*Subscription and Sale and Transfer and Selling Restrictions*".

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

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

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

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

US INFORMATION

This Prospectus is being provided on a confidential basis in the United States to a limited number of "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (QIBs) or institutional "accredited investors" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act (**Institutional Accredited Investors** or **IAI's**) in connection with the consideration of the purchase of the Covered Bonds being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Covered Bonds may be offered or sold within the United States only to QIBs or Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Covered Bonds is hereby notified that the offer and sale of any Registered Covered Bonds to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act.

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

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

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

FORWARD-LOOKING STATEMENTS

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

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

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PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

Issuer:	The Royal Bank of Scotland plc
Guarantor:	RBS Covered Bonds Limited Liability Partnership
Regulated Covered Bonds:	On 1 April 2010, the Issuer was admitted to the register of issuers of regulated covered bonds and the Programme was admitted to the register of regulated covered bonds.
Nature of eligible property:	Residential mortgage loans and their Related Security, Substitution Assets up to the prescribed limit and Authorised Investments
Compliant with the Banking Consolidation Directive (Directive 2006/48/EC):	Yes
Location of eligible residential property underlying Loans:	England, Wales and Scotland
Maximum True Balance to Indexed Valuation ratio given credit under the Asset Coverage Test:	75.0%
Maximum Asset Percentage:	90%
Asset Coverage Test:	As set out on page 180
Amortisation Test:	As set out on page 183
Extended Maturities:	Available
Hard Bullet Maturities:	Available
Asset Monitor:	Deloitte LLP
Asset Segregation:	Yes
Namenschuldverschreibungen option:	Yes

DOCUMENTS INCORPORATED BY REFERENCE

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

1. the following sections of the 2009 annual report and accounts of The Royal Bank of Scotland Group (**RBSG**), which were published by RBSG on 18 March 2010:
 - (i) Independent auditors' report on page 240;
 - (ii) Consolidated income statement on page 241;
 - (iii) Consolidated statement of comprehensive income on page 242;
 - (iv) Balance sheets as at 31 December 2009 on page 243;
 - (v) Statements of changes in equity on pages 244 to 246;
 - (vi) Cash flow statements on page 247;
 - (vii) Accounting policies on pages 248 to 258;
 - (viii) Notes on the accounts on pages 259 to 348;
 - (ix) What we have achieved on page 1;
 - (x) Chairman's statement on pages 2 to 3;
 - (xi) Group Chief Executive's review on pages 4 to 6;
 - (xii) Our strategic plan and progress on pages 12 to 19;
 - (xiii) Divisional review on pages 20 to 41;
 - (xiv) Business review on pages 49 to 206;
 - (xv) Report of the Directors on pages 208 to 213;
 - (xvi) Corporate governance on pages 214 to 222;
 - (xvii) Letter from the Chairman of the Remuneration Committee on pages 223 to 224;
 - (xviii) Directors' remuneration report on pages 225 to 236;
 - (xix) Directors' interests in shares on page 237;
 - (xx) Impairment review on pages 302 and 303;
 - (xxi) Financial Summary on pages 350 to 359;
 - (xxii) Exchange rates on page 359;
 - (xxiii) Economic and monetary environment on page 360;
 - (xxiv) Supervision on page 361;

- (xxv) Regulatory developments and reviews on pages 361 to 362;
 - (xxvi) Description of property and equipment on pages 362 to 363;
 - (xxvii) Major shareholders on page 363;
 - (xxviii) Material contracts on pages 363 to 369; and
 - (xxix) Glossary of terms on pages 383 to 387.
2. the registration document dated 10 March 2010 relating to the Issuer which was published via the Regulatory News Service of the London Stock Exchange plc (**RNS**) on 10 March 2010 (the Registration Document) other than each of the paragraphs under the heading "*No Significant Change and No Material Adverse Change*" on pages 60 and 61 and the risk factor titled "*the Group's businesses, earnings and financial conditions have been and will continue to be affected by the global economy and instability in the global financial markets*" on pages 9 and 10 (the **RBS Registration Document**);
 3. the audited consolidated annual financial statements for the financial year ended 31 December 2008 of the Issuer together, with the audit report thereon;
 4. the annual report and accounts of RBS (including the audited consolidated financial statements of RBS, together with the audit report thereon) for the year ended 31 December 2009 (excluding the section headed "Risk Factors" on pages 5 to 23), which were published via the RNS on 9 April 2010;
 5. the following sections of the 2008 annual report and accounts of The Royal Bank of Scotland Group plc (**RBSG** and, together with its subsidiaries, the **Group**), which were published via the RNS of the London Stock Exchange plc on 9 March 2009:
 - (i) Independent auditors' report for the year ended 31 December 2008 on pages 172 to 173;
 - (ii) Consolidated income statement for the year ended 31 December 2008 on page 174;
 - (iii) Balance sheet as at 31 December 2008 on page 175;
 - (iv) Statement of recognised income and expense for the year ended 31 December 2008 on page 176;
 - (v) Cash flow statement for the year ended 31 December 2008 on page 177;
 - (vi) Accounting policies on pages 178 to 188;
 - (vii) Notes on the accounts for the year ended 31 December 2008 on pages 189 to 266;
 - (viii) Business review on pages 23 to 144;
 - (ix) Report of the Directors on pages 148 to 152;
 - (x) Corporate governance on pages 153 to 158;
 - (xi) Letter from the Chairman of the Remuneration Committee on page 159;
 - (xii) Directors' remuneration report on pages 160 to 168;
 - (xiii) Directors' interests in shares on page 169;

- (xiv) Amounts in accordance with IFRS on pages 268 to 277;
- (xv) Exchange rates on page 277;
- (xvi) Economic and monetary environment on page 278;
- (xvii) Supervision on page 279;
- (xviii) Regulatory reviews and developments on pages 280 to 281;
- (xix) Description of property and equipment on page 281;
- (xx) Major shareholders on page 281; and
- (xxi) Material contracts on pages 281 to 284;

6. the following sections of the Shareholder Circular published by RBSG on 27 November 2009 (the **Shareholder Circular**):

- (i) “Financial Information” on page 5;
- (ii) “Part I – Letter From the Chairman of RBS” on pages 10 to 20;
- (iii) “Appendix 2 to the Letter From the Chairman of RBS – Principal Terms and Conditions of the APS” on pages 46 to 75;
- (iv) “Appendix 3 to the Letter From the Chairman of RBS – Principal Terms of Issue of the B Shares and the Dividend Access Share” on pages 76 to 84;
- (v) “Appendix 4 to the Letter From the Chairman of RBS – Key Terms of the State Aid Restructuring Plan” on pages 85 to 86;
- (vi) “Part II – Capital Resources and Liquidity Management” on pages 89 to 94;
- (vii) “Part IV – Additional Information – 9 Material contracts” on pages 111 to 118;
- (viii) “Part VI – Definitions” on pages 121 to 133;
- (ix) “Annex 1 – Terms of Issue of the B Shares and the Dividend Access Share” on pages 134 to 170; and
- (x) “Annex 3 – Scheme Principles” on pages 177 to 181;

7. the following sections of the prospectus published on 16 March 2009 in connection with RBSG’s placing and open offer of 16,909,716,385 ordinary shares, which comprises a prospectus prepared in accordance with the Prospectus Rules of the UK Listing Authority made under section 73A of the FSMA:

- (i) “Important Information” on pages 28 to 31;
- (ii) Part I (Letter From the Chairman of RBS) on pages 35 to 39 excluding the paragraphs under the heading “Trading and outlook” on pages 38 and 39;
- (iii) Appendix to the Letter From the Chairman of RBS on pages 40 to 50 excluding Part A paragraph 10 (Overseas Shareholders) on page 46, Part A paragraph 11 (UK and

US Taxation) on page 46 and Part A paragraph 12 (Action to be taken in respect of the Open Offer) on pages 46 to 48;

- (iv) the following paragraphs of Part IX (Additional Information) on pages 106 to 151:
 - 8 (Remuneration details, Directors' service contracts and letters of appointment) on pages 122 to 126;
 - 9 (Board practices) on pages 126 to 128; and
 - 13 (RBS Employee Share Plans) on pages 130 to 138; and
- (v) Part XI (Definitions) on pages 154 to 162;

8. the announcement headed "The Royal Bank of Scotland Group plc, The Royal Bank of Scotland plc and National Westminster Bank Plc – Clarification of Contractual Position Relating to Payments Under Preference Shares and Subordinated Securities" published via the RNS on 20 October 2009;
9. the following press releases of RBSG, which were published via the RNS on 25 March 2010:
 - (i) The Royal Bank of Scotland Group plc - Convertible Preference Share, Employee Deferral Plan and Liability Management; and
 - (ii) The Royal Bank of Scotland Group plc and National Westminster Bank Public Limited Company Announce a Proposed Liability Management Exercise.";
10. the press release of RBSG, which was published via the RNS on 6 April 2010 headed "The Royal Bank of Scotland Group plc launches Upper Tier 2 Exchange Offers and Tier 1 Tender Offers and Announces Further Details of EC Dividend/Coupon Deferral"; and
11. schedule 1 on pages 5 and 6 of the supplementary prospectus (the **Relevant EMTN Supplement**) dated 16 April 2010 published by RBSG and RBS in connection with the £90,000,000,000 Euro Medium Term Note Programme of RBSG and RBS (**Schedule 1 to the Relevant EMTN Supplement**), schedule 2 on page 7 of the Relevant EMTN Supplement (**Schedule 2 to the Relevant EMTN Supplement**), schedule 3 on page 8 of the Relevant EMTN Supplement (**Schedule 3 to the Relevant EMTN Supplement**), schedule 4 on pages 9 and 10 of the Relevant EMTN Supplement (**Schedule 4 to the Relevant EMTN Supplement**), except that in referring to page 73 of the 2009 annual report and accounts of RBSG (which is incorporated by reference herein) in the risk factor entitled "*The Group's results have been and could be further adversely affected in the event of goodwill impairment*" reference should also be had to pages 302 and 303 of the 2009 annual report and accounts of RBSG (which are incorporated by reference herein) and schedule 5 on page 11 of the Relevant EMTN Supplement (**Schedule 5 to the Relevant EMTN Supplement**).

save that any statement contained herein or any of the documents incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement (whether expressly, by implication or otherwise), provided that such modifying or superseding statement is made by way of a supplement to this Prospectus pursuant to Article 16 of the Prospectus Directive. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

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

The LLP has not produced any financial statements as at the date of this Prospectus.

The Issuer will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Written and oral requests for such documents should be directed either to the Issuer at the address set out at the end of this Prospectus.

The Issuer and the LLP have each undertaken to the Dealers in the Programme Agreement to comply with section 87G of the FSMA.

Copies of the documents incorporated by reference in this Prospectus (other than the Issuer's report and account for the year ended 31 December 2009) will be available for viewing (i) at the registered office of the Issuer at The Royal Bank of Scotland plc, 36 St. Andrew Square, Edinburgh EH2 2YB and (ii) on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

Copies of the Issuer's report and accounts for the year ended 2009 are available for viewing at (i) www.rbs.com and (ii) at the Document Viewing Facility of the Financial Services Authority as 25 The North Colonnade, Canary Wharf, London E14 5HS. Please note that websites and urls referred to herein do not form part of this Prospectus.

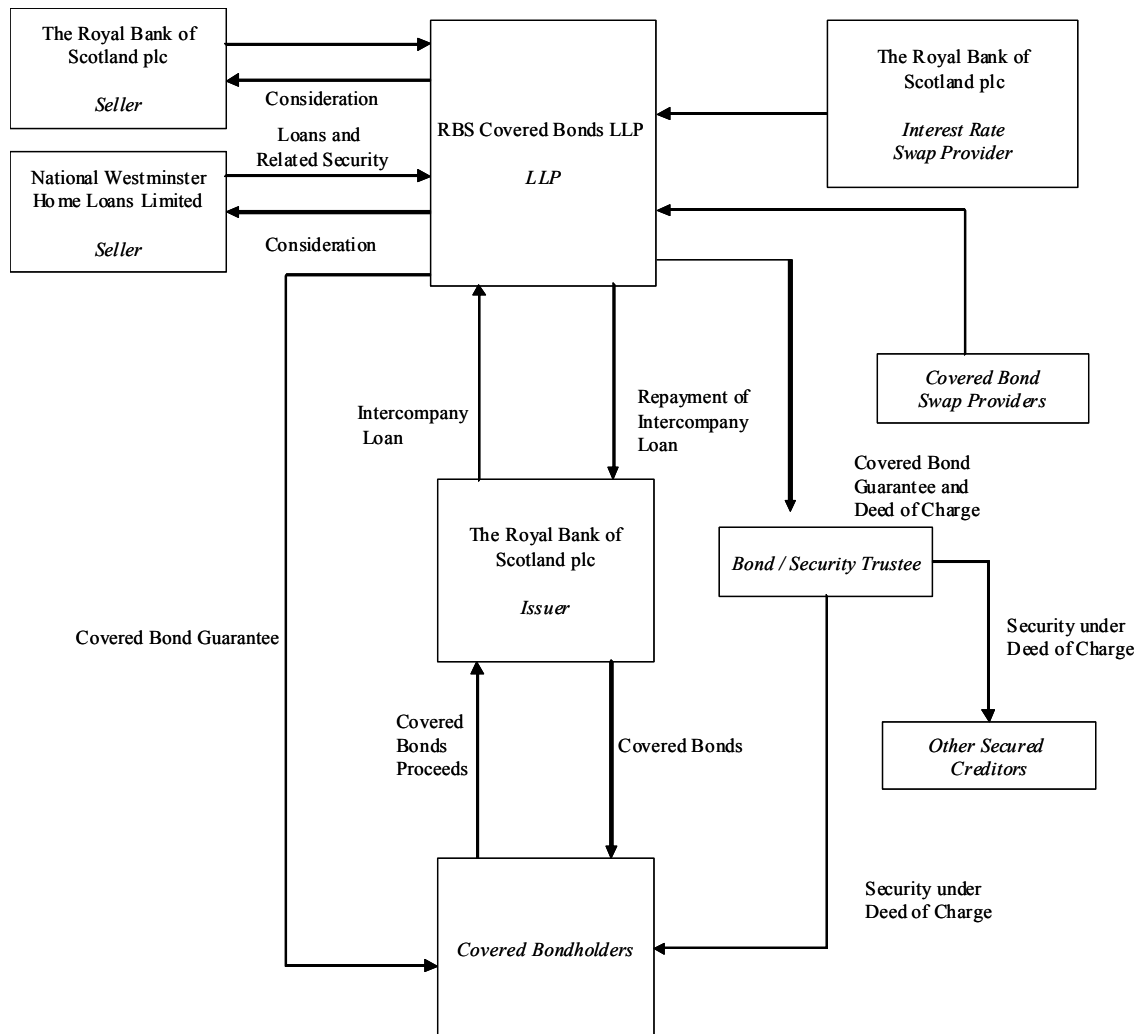
If the terms of the Programme are modified or amended in a manner which would make this Prospectus inaccurate or misleading, or in the event of any material mistake or inaccuracy which is capable of affecting the assessment of any Covered Bonds, a supplement to this Prospectus or a new Prospectus will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

STRUCTURE OVERVIEW

This Structure Overview must be read as an introduction to this Prospectus and any decision to invest in any Covered Bonds should be based on a consideration of this Prospectus as a whole, including the documents incorporated herein by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to either Responsible Person in such Member State in respect of this Structure Overview, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Words and expressions defined elsewhere in this Prospectus shall 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 Prospectus on page 238.

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, unsubordinated and (following the service of a Notice to Pay on the LLP or, if earlier, the service on the Issuer and the LLP of an LLP Acceleration Notice) unconditional obligations of the LLP, secured as provided in the Deed of Charge. The Bond Trustee will be required to serve a Notice to Pay on the LLP following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice. An LLP Acceleration Notice may be served by the Bond Trustee on the Issuer and the LLP following the occurrence of an LLP Event of Default.

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

- *The proceeds of Term Advances*: The LLP will use the proceeds of the Term Advances received under the Intercompany Loan Agreement from time to time (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap):
 - (i) to purchase Loans and their Related Security from the Sellers in accordance with the terms of the Mortgage Sale Agreements; and/or
 - (ii) to invest in Substitution Assets in an amount 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:
 - (a) to purchase Loans and their Related Security, from the Sellers in accordance with the terms of the Mortgage Sale Agreements; and/or
 - (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or
 - (c) (subject to complying with the Asset Coverage Test (as described below)) to make a Capital Distribution to a Member; and/or
 - (d) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered

Bonds), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or

- (e) to make a deposit of all or part of the proceeds in the Deposit Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit). To protect the value of the Portfolio under the terms of the LLP Deed, the LLP and RBS 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 Agreements, the consideration payable to the Sellers for the sale of Loans and their Related Security to the LLP on any Transfer Date will be a combination of (i) a cash payment paid by the LLP to a Seller and/or (ii) that Seller being treated as having made a Capital Contribution in Kind to the LLP (in an amount up to the difference between the True Balance of the Loans sold by the Seller as at the relevant Transfer Date and the cash payment (if any) paid by the LLP) and (iii) Deferred Consideration.
- *Security:* To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the LLP has granted security over the Charged Property (which consists principally of the LLP's interest in the portfolio of Loans and their Related Security, the Substitution Assets, the Transaction Documents to which it is a party, the LLP Accounts and the Authorised Investments) in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors) pursuant to the Deed of Charge.
- *Cashflows:* Prior to service of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice on the LLP and/or realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the LLP will:
 - (a) apply Available Revenue Receipts to pay interest due on the Term Advances (the proceeds of which the Issuer may apply to pay interest due on the Covered Bonds) and to pay Deferred Consideration to the Sellers in respect of the Loans sold by the Sellers to the LLP. However, these payments will only be made after payment of certain items ranking higher in the Pre-Acceleration Revenue Priority of Payments (including, but not limited to, certain expenses and amounts due to the Interest Rate Swap Provider, the Covered Bond Swap Providers and the Pre-Maturity Liquidity Ledger). For further details of the Pre-Acceleration Revenue Priority of Payments, see "*Cashflows*" below; and
 - (b) apply Available Principal Receipts (i) to fund the Pre-Maturity Liquidity Ledger in respect of any liquidity that may be required in respect of Hard Bullet Covered Bonds following a breach of the Pre-Maturity Test; (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 Ledger and acquiring New Loans and their Related Security offered by the Sellers to the LLP). For further details of the Pre-Acceleration Principal Priority of Payments, see "*Cashflows*" below.

Following service on the LLP of an Asset Coverage Test Breach Notice (which 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 Available Revenue Receipts and Available Principal Receipts as described above, except that, whilst any Covered Bonds remain outstanding:

- (a) in respect of Available Revenue Receipts, no further amounts will be paid to the Issuer under the Intercompany Loan Agreement, into the Reserve Fund, towards any indemnity amount due to the Members pursuant to the LLP Deed or any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement, towards any Deferred

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

- (b) in respect of Available Principal Receipts, no payments will be made other than into the Deposit Account subject to exchange into the required currency (if required) in accordance with the relevant Covered Bond Swap (see "*Cashflows*" below).

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

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the Covered Bonds will become immediately due and repayable 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 by the Security Trustee following enforcement of the Security created by the LLP in accordance with the Deed of Charge, realisation of such Security and/or the commencement of winding-up proceedings against the LLP will be distributed according to the Post-Enforcement Priority of Payments as to which, see "*Cashflows*" below.

- *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 RBS (in its capacity as a Member of the LLP) must ensure that on each Calculation Date, the Aggregate Adjusted Asset Amount will be in an amount equal to or in excess of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on that Calculation Date. The Asset Coverage Test will be tested by the Cash Manager on each Calculation Date. A breach of the Asset Coverage Test on a Calculation Date which is not remedied on the immediately succeeding Calculation Date will require the Bond Trustee to serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

If an Asset Coverage Test Breach Notice has been delivered and remains outstanding:

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

If an Asset Coverage Test Breach Notice has been served and remains outstanding on the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances, may be required) to serve an Issuer Acceleration Notice on the Issuer. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the LLP.

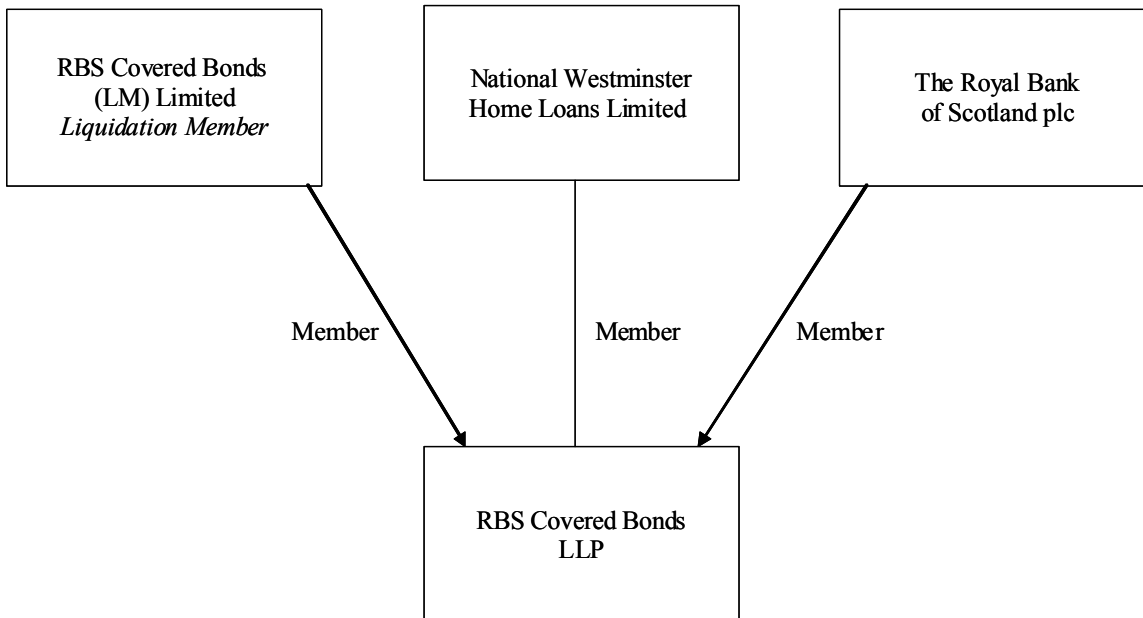
- *Amortisation Test:* In addition, following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) and, for so long as Covered Bonds remain outstanding, the LLP must ensure that on each Calculation Date following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Amortisation Test will be tested by the Cash Manager on each Calculation Date following an Issuer Event of Default and service of a Notice to Pay on the LLP. A breach of the Amortisation Test will constitute an LLP Event of Default, which will entitle the Bond Trustee to serve an LLP Acceleration Notice declaring the Covered Bonds immediately due and repayable 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 during such extended period and be payable on each relevant Due for Payment Date and on the Extended Due for Payment Date in accordance with Condition 4.
- *Coupon Pre-funding:* If a Cash Manager Relevant Event occurs and is continuing, RBS in its capacity as a Member of the LLP will (a) within 10 London Business Days of the occurrence of the Cash Manager Relevant Event and, (b) thereafter, if a Required Coupon Amount Shortfall exists, within 5 London Business Days of receipt of notification of each Required Coupon Amount Shortfall, make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount or the Required Coupon Amount Shortfall, as the case may be.
- While a Cash Manager Relevant Event is continuing (but prior to the service of a Notice to Pay or an LLP Acceleration Notice on the LLP) the LLP will, on each LLP Payment Date, to the extent of Available Revenue Receipts (taking into account amounts to be paid in priority to any credit to the Coupon Payment Ledger) fund the Coupon Payment Ledger in an amount up to the Required Coupon Amount.
- *Servicing:* Each of NWHL (in respect of the NWHL Loans) and RBS (in respect of the RBS Loans) has entered into the Servicing Agreement with the LLP and the Security Trustee, pursuant to which

each Servicer has agreed to provide certain services in respect of the Loans and their Related Security sold by it to the LLP. NWHL (in its capacity as a Servicer) has sub-delegated the performance of its servicing obligations to RBS under the Delegation Agreement.

- *The Regulated Covered Bonds Regulations 2008*: On 1 April 2010, 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, amongst other relevant sections of this Prospectus, "*Overview of the Programme*", "*Terms and Conditions of the Covered Bonds*", "*Pro-forma N Covered Bond Agreement and N Covered Bond*" "*Summary of the Principal Documents*", "*Credit Structure*", "*Cashflows*" and "*The Portfolio*", below.

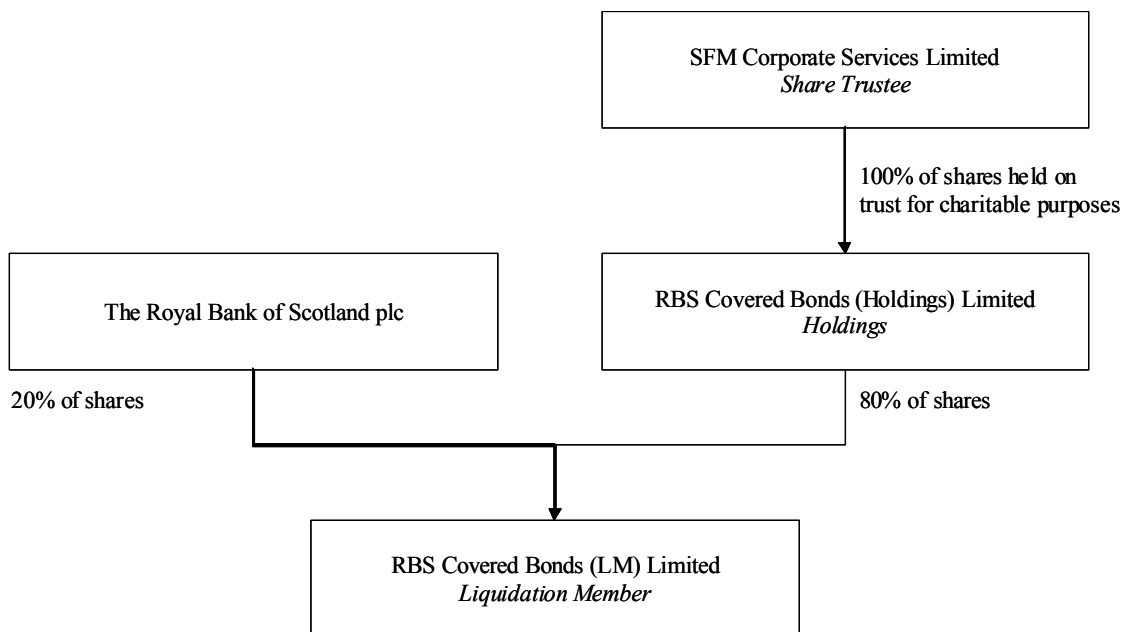
Ownership Structure of RBS Covered Bonds Limited Liability Partnership

- As at the Initial Programme Date, the Members of the LLP are RBS, NWHL and the Liquidation Member.
- A New Member may be admitted to the LLP, subject to meeting certain conditions precedent including, but not limited to, written confirmation from the Rating Agencies that this would not adversely affect the then current ratings of all outstanding Covered Bonds.
- Other than in respect of those decisions reserved to the Members, the LLP Management Committee (comprised of, as at the Initial Programme Date, directors and/or employees of the Sellers 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 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 RBS.
- The entire issued capital of Holdings is held by SFM Corporate Services Limited as share trustee on trust for charitable purposes.



OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this overview. A glossary of certain defined terms is contained at the end of this Prospectus on page 238.

Issuer: The Royal Bank of Scotland plc (**RBS**), incorporated under the laws of Scotland (registered number SC0090312).

The LLP: RBS Covered Bonds Limited Liability Partnership, a limited liability partnership incorporated in England and Wales (partnership no. OC349504). The Members of the LLP on the Initial Programme Date are RBS (in its capacity as a Seller), NWHL (in its capacity as a Seller) and the Liquidation Member. The LLP is a special purpose vehicle whose business is to acquire, *inter alia*, Loans and their Related Security from the Sellers pursuant to the terms of the Mortgage Sale Agreements and to guarantee certain payments in respect of the Covered Bonds. The LLP will hold the Portfolio and the other Charged Property in accordance with the terms of the Transaction Documents.

The LLP has provided a guarantee covering all Guaranteed Amounts when the same shall become Due for Payment, but only following an Issuer Event of Default and the service on the LLP of a Notice to Pay or, 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*", below.

Sellers: The Sellers under the Programme are:

RBS, which is in the business, *inter alia*, of originating and acquiring residential mortgage loans and conducting other banking related activities; and

National Westminster Home Loans Ltd (**NWHL**), which is in the business, *inter alia*, of originating and acquiring residential mortgage loans.

Servicers:	<p>Pursuant to the terms of the Servicing Agreement, each of RBS and NWHL has been appointed to service, on behalf of the LLP, the Loans and Related Security sold to the LLP by the Sellers.</p> <p>Pursuant to the terms of the Delegation Agreement, NWHL has delegated its obligations to perform the servicing obligations under the Servicing Agreement to RBS.</p>
Cash Manager:	RBS has been appointed, <i>inter alia</i> , to provide cash management services to the LLP and to monitor compliance by the LLP with the Asset Coverage Test and the Amortisation Test pursuant to the terms of the Cash Management Agreement.
Principal Paying Agent:	Citibank, N.A., London Branch acting through its offices at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB has been appointed pursuant to the Agency Agreement as Principal Paying Agent.
Exchange Agent and Transfer Agent:	Citibank, N.A., London Branch acting through its offices at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB has been appointed pursuant to the Agency Agreement as Exchange Agent and Transfer Agent.
Registrar:	Citibank, N.A., London Branch acting through its offices at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB has been appointed pursuant to the Agency Agreement as Registrar.
Bond Trustee:	Citicorp Trustee Company Limited, whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB 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.
Security Trustee:	Citicorp Trustee Company Limited whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB 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.
Asset Monitor:	A reputable institution appointed pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test when required. As at the Initial Programme Date, the Asset Monitor is Deloitte LLP.

Covered Bond Swap Providers:	Each swap provider which agrees to act as Covered Bond Swap Provider to the LLP to hedge certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swaps and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay) and under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay) by entering into one or more Covered Bond Swaps with the LLP and the Security Trustee under a Covered Bond Swap Agreement in respect of each relevant Series or Tranche of Covered Bonds (where applicable).
Interest Rate Swap Provider:	RBS (in its capacity as the Interest Rate Swap Provider) has agreed to act as a swap provider to the LLP to hedge possible variances between the rates of interest payable on the Loans sold by the Sellers to the LLP and the interest basis payable by the LLP under the Covered Bond Swaps and/or, as applicable, where a Covered Bond Swap is not in place in respect of a Term Advance, the relevant Term Advance, by entering into the Interest Rate Swaps with the LLP and the Security Trustee under the Interest Rate Swap Agreement.
Account Bank:	RBS has been appointed the initial Account Bank to the LLP pursuant to the terms of the Bank Account Agreement.
Liquidation Member:	RBS Covered Bonds (LM) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 7053120). As at the date of this 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 RBS.
Holdings:	RBS Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 7033644). All of the shares of Holdings are held by the Share Trustee on trust for general charitable purposes.
Share Trustee:	SFM Corporate Services Limited, having its registered office at 35 Great St. Helen's Street, London EC3A 6AP.
Corporate Services Provider:	Structured Finance Management Limited, having its registered office at 35 Great St. Helen's Street, London, EC3A 6AP, has been appointed to provide certain corporate services to the Liquidation Member and Holdings, pursuant to the Corporate Services Agreement.
Programme Description:	Global Covered Bond Programme.
Arranger:	The Royal Bank of Scotland plc.

Dealer:	The Royal Bank of Scotland plc and any other Dealer appointed from time to time in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see the section of this Prospectus entitled " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " below).
Programme Size:	Up to €15 billion (or its equivalent in other currencies determined as described in the Programme Agreement) outstanding at any time as described herein. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Covered Bonds may be distributed 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 Prospectus entitled " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " below.
Specified Currencies:	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee (as set out in the applicable Final Terms).
Redenomination:	The applicable Final Terms may provide that certain Covered Bonds may be redenominated in euro. If so, the redenomination provisions will be set out in the applicable Final Terms.
Maturities:	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.
Issue Price:	Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis or partly-paid basis, as set out in the relevant Final Terms.
Form of Covered Bonds:	The Covered Bonds will be issued in bearer or registered form as described in the section of this Prospectus entitled " <i>Form of the Covered Bonds</i> " below. Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and <i>vice versa</i> .

Fixed Rate Covered Bonds:

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

Floating Rate Covered Bonds:

Floating Rate Covered Bonds will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

as set out in the applicable Final Terms.

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

Index Linked Covered Bonds:

Payments of principal in respect of Index Linked Redemption Covered Bonds or of interest in respect of Index Linked Interest Covered Bonds will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree (as set out in the applicable Final Terms).

Credit Linked Covered Bonds and Equity Linked Covered Bonds:

Payments of interest in respect of Credit Linked Covered Bonds and Equity Linked Covered Bonds will be calculated by reference to the price, value, performance or some other factor relating to one or more reference assets and/or the creditworthiness or performance of obligations by or some other factor relating to one or more reference entities (as set out in the applicable Final Terms).

Other provisions in relation to Floating Rate Covered Bonds and Index Linked Interest Covered Bonds:

Floating Rate Covered Bonds and Index Linked Interest 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 and Index Linked Interest 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.

N Covered Bonds:

N Covered Bonds will be issued to each holder in the Form of N Covered Bond (*Namensschuldverschreibung*) set out herein with the N Covered Bond Conditions attached thereto as Schedule 1 and the Form of N Covered Bond Assignment Agreement as Schedule 2, together with the execution of the related N Covered Bond Agreement in the form set out herein (each, an **N Covered Bond Agreement**).

The N Covered Bond (*Namensschuldverschreibung*) (with the N Covered Bond Conditions attached thereto), and the related N Covered Bond Agreement will constitute the Final Terms in respect of each Series of N Covered Bonds.

In the case of N Covered Bonds, each reference in the Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or otherwise provided in the N Covered Bond (*Namensschuldverschreibung*), the N Covered Bond Conditions attached thereto or the relevant N Covered Bond Agreement and, as applicable, each other reference to Final Terms in the Prospectus shall be construed and read as a reference to such N Covered Bond (*Namensschuldverschreibung*), the N Covered Bond Conditions attached thereto or the relevant N Covered Bond Agreement.

A transfer of N Covered Bonds is deemed to be not effective until the transferee has delivered to the Registrar a duly executed copy of the N Covered Bond Agreement relating to such N Covered Bond along with a duly executed N Covered Bond Assignment Agreement.

References in this Prospectus to the Conditions or a particularly numbered Condition shall be construed, where relevant (and unless specified otherwise), to include the equivalent Condition in the N Covered Bond Conditions as supplemented by the relevant N Covered Bond Agreement.

Dual Currency Covered Bonds:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Covered Bonds will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as set out in the applicable 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.

Partly-Paid Covered Bonds:

Covered Bonds may be issued on a partly-paid basis in which case interest will accrue on the paid-up amount of such Covered Bonds or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Rating Agency Confirmation:

The issuance of all Covered Bonds shall be subject to confirmation by each of the Ratings Agencies that the then current ratings for any outstanding Covered Bonds will not be adversely affected by the issuance of such Covered Bonds. For more information on Rating Agency confirmations in respect of the Programme see the section of this Prospectus entitled "*Risk Factors – Rating Agency Confirmations in respect of Covered Bonds*" below.

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 in specified instalments, if applicable, or 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 shall be made by the LLP on any Interest Payment Date up to and including the relevant Extended Due for Payment Date as described in Condition 6(a). Interest will continue to accrue and be payable on the unpaid amount up to the Extended Due for Payment Date in accordance with Condition 4 (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 €50,000 (or, if the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency) or such other higher amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive IAI Registered Covered Bond will be U.S.\$500,000 or its approximate equivalent in other Specified Currencies and the minimum denomination of each Definitive Rule 144A Covered Bond will be U.S.\$100,000 or its approximate equivalent in other Specified Currencies.

Taxation:

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

Cross Default:

If an Issuer Acceleration Notice is served in respect of one Series of Covered Bonds, then the Covered Bonds of all

Series outstanding will be accelerated against the Issuer.

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

Set Off

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

Status of the Covered Bonds:

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

Covered Bond Guarantee:

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

Ratings:

Covered Bonds to be issued under the Programme have the ratings specified in the applicable Final Terms on issuance.

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 regulated 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. N Covered Bonds will not be settled through a clearing system and will not be listed and/or admitted to trading.

The RCB Regulations:

On 1 April 2010, 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 will be governed by, and construed in accordance with, English law.

N Covered Bonds shall be governed by, and construed in accordance with, the laws of the Federal Republic of Germany. The English courts shall have exclusive jurisdiction in the event of any dispute arising out of or in connection with each N Covered Bond (including a dispute relating to any non-contractual rights and obligations) in respect of the N Covered Bonds.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds in the United States and the European Economic Area (which includes the United Kingdom). Other restrictions may apply in connection with the offering and sale of a particular Series of Covered Bonds. See the section of this Prospectus entitled "*Subscription and Sale and Transfer and Selling Restrictions*" below.

Risk Factors:

There are certain risks related to any issue of Covered Bonds under the Programme, which investors should ensure they fully understand, a non-exhaustive summary of which is set out in the section of this Prospectus entitled "*Risk Factors*" from page 31 of this Prospectus.

RISK FACTORS

This section describes the principal risk factors associated with an investment in the Covered Bonds. Prospective purchasers of Covered Bonds should consider carefully all the information contained in this document, including the considerations set out below, before making any investment decision. This section of this Prospectus is divided into three main sections – General Risk Factors, Risk Factors relating to the Issuer and Risk Factors relating to the LLP.

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

General Risk Factors

Issuer liable to make payments when due on the Covered Bonds

The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference or priority 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 on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee on the LLP of an LLP Acceleration Notice. The occurrence of an Issuer Event of Default does not constitute an LLP Event of Default. However, failure by the LLP to pay amounts when Due for Payment under the Covered Bond Guarantee would constitute an LLP Event of Default which would entitle the Bond Trustee to accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable) and the obligations of the LLP under the Covered Bond Guarantee and the Security Trustee to enforce the Security.

Obligations under the Covered Bonds

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

Covered Bonds issued under the Programme

Save in respect of the first issue of Covered Bonds 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 following enforcement of the Security rank *pari passu* with each other in all respects and will share in the security granted by the LLP under the Deed of Charge. If an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds, the Covered Bonds of all Series outstanding will accelerate at the same time against the Issuer (following service of an Issuer Acceleration Notice) but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay). If an LLP Event of Default occurs, following service of an LLP Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate against the Issuer (if not already accelerated following an Issuer Event of Default) and the obligations of the

LLP under the Covered Bond Guarantee will accelerate. In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect the existing Covered Bondholders:

- the Issuer will be obliged to apply the proceeds of any issue of Covered Bonds to make a Term Advance to the LLP. The LLP will use the proceeds of such Term Advance (after swapping the same into Sterling if necessary) only: (i) to acquire Loans and their Related Security from the Seller's; and/or (ii) to acquire Substitution Assets up to the prescribed limit to the extent required to meet the requirements of Regulations 23 and 24(1)(a) of the RCB Regulations and the Asset Coverage Test and thereafter may be applied by the LLP only:
 - (a) to purchase Loans and their Related Security, from the Sellers in accordance with the terms of the Mortgage Sale Agreements; and/or
 - (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or
 - (c) (subject to complying with the Asset Coverage Test (as described below)) to make a Capital Distribution to a Member; and/or
 - (d) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or
 - (e) to make a deposit of all or part of the proceeds in the Deposit Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit);
- the Asset Coverage Test will be required to be met both before and immediately after any further issue of Covered Bonds; and
- on or prior to the date of issue of any further Covered Bonds, the Issuer will be obliged to obtain written confirmation from the Rating Agencies that such further issue would not adversely affect the then current ratings of the existing Covered Bonds. For further information on Rating Agency Confirmations in respect of the Programme see the section of this Prospectus entitled "*Risk Factors – Rating Agency Confirmations in respect of Covered Bonds*" below.

Extendable obligations under the Covered Bond Guarantee

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

To the extent that the LLP has received a Notice to Pay in sufficient time and has sufficient monies available to pay in part the Guaranteed Amounts corresponding to the relevant unpaid Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP shall make such partial payment in accordance with the Guarantee Priority of Payments and as described in Condition 6(a) (Final Redemption) on any Interest Payment Date up to and including the relevant Extended Due for Payment Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Due for Payment Date (where the relevant Series of Covered Bonds are subject to an Extended Due for Payment Date). The Extended Due for Payment Date of the relevant Series of Covered Bonds will be specified in the relevant Final Terms Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 4 (Interest) and

the LLP will pay Guaranteed Amounts constituting Scheduled Interest on each Due for Payment Date and the Extended Due for Payment Date. In these circumstances, except where the LLP has failed to apply money in accordance with the Guarantee Priority of Payments, failure by the LLP to make payment in respect of the Final Redemption Amount on the Final Maturity Date (or such later date within any applicable grace period) shall not constitute an LLP Event of Default. However, failure by the LLP to pay Guaranteed Amounts corresponding to the Final Redemption Amount or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Due for Payment Date or the Extended Due for Payment Date will (subject to any applicable grace period) be an LLP Event of Default.

The extension period for each Series of Covered bonds may be for different periods of time. In accordance with the Guarantee Priority of Payments, Covered Bonds with an Extended Due for Payment Date falling one year or less from the relevant LLP Payment Date will be paid in priority to a Series of Covered Bonds with an Extended Due for Payment Date falling more than one year after the relevant LLP Payment Date.

The LLP will be entitled to apply principal collections it receives in respect of the Loans together with the principal proceeds of the sale of any Substitution Assets it holds in order to repay earlier maturing Series of Covered Bonds, which may mean that there may be fewer assets available to support later maturing Series of Covered Bonds.

Liquidity in the secondary market may adversely affect the market value of the Covered Bonds

There is not, at present, an active and liquid secondary market for the Covered Bonds, and there can be no assurance that a secondary market for the Covered Bonds will develop. The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*" and, as applicable, as set out in the Final Terms relating to such Series of Covered Bonds. If a secondary market does develop, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield.

In addition, as at the date of this Prospectus, the secondary market for covered bonds and mortgage-backed securities generally is experiencing severe disruptions resulting from reduced investor demand for such securities. This has had a materially adverse impact on the market value of covered bonds and resulted in the secondary market for such securities experiencing very limited liquidity. Structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties have been forced to sell securities held by them into the secondary market. Limited liquidity in the secondary market may continue to have an adverse effect on the market value of covered bonds and mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, whilst these market conditions continue to persist, an investor in covered bonds may not be able to sell or acquire credit protection on its covered bonds readily and market values of covered bonds are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to covered bondholders. It is not known for how long the market conditions will continue or whether they will worsen. Further deterioration in wholesale funding markets may have an adverse effect on all UK financial services institutions including the Issuer and NWHL.

In addition, the current liquidity crisis has stalled the primary market for a number of financial products including covered bonds and mortgage-backed securities. While it is possible that the current liquidity crisis may soon alleviate for certain sectors of the global credit markets, there can be no assurance that the market for covered bonds and mortgage-backed securities will recover at the same time or to the same degree as such other recovering global credit market sectors.

Ratings of the Covered Bonds

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

The expected ratings of the Covered Bonds will be set out in the relevant Final Terms for each Series of Covered Bonds. In addition, the Final Terms will specify which Rating Agencies are giving a credit rating to the relevant Series of Covered Bonds. A relevant Series of Covered Bonds may be rated by one or more Rating Agencies as set out therein. However Covered Bondholders should be aware that any issuance of Covered Bonds will, subject to the comments made below in "*Risk Factors - Rating Agency Confirmation in respect of Covered Bonds*" be subject to written confirmation from the Rating Agencies that such issuance will not adversely affect the then current ratings of the existing Covered Bonds. Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgment of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced.

In addition, at any time any Rating Agency may revise its relevant rating methodology with the result that, amongst other things, any rating assigned to the Covered Bonds may be lowered.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A rating may not reflect the potential impact of all of the risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds.

Rating Agency Confirmation in respect of Covered Bonds

The terms of certain of the Transaction Documents provide that, in certain circumstances, the Issuer, a Covered Bond Swap Provider and/or the Interest Rate Swap Provider must, and the Bond Trustee or the Security Trustee may, obtain written confirmation (or, in the case of Moody's, affirmation) from Fitch and Moody's that any proposed action proposed to be taken by the Issuer, the LLP, the Sellers, the Servicers, the Cash Manager, a Covered Bond Swap Provider and/or the Interest Rate Swap Provider, the Bond Trustee or the Security Trustee will not adversely affect or cause to be withdrawn the then current ratings of the Covered Bonds (a **Rating Agency Confirmation**). In addition, certain actions under the Transaction Documents require that Moody's provides a Rating Agency Confirmation and that such action is notified to Fitch before such an action can be undertaken pursuant to the Transaction Documents (the **Rating Condition**). However Covered Bondholders should be aware that if: (a) a confirmation or affirmation of rating or other response by a Rating Agency is a condition to any action or step under any Transaction Document; and (b) a written request for such confirmation or response is delivered to that Rating Agency by any of the LLP, the Issuer, the Sellers, the Cash Manager, the Servicers the, Bond Trustee and/or the Security Trustee, as applicable (each a **Requesting Party**) and one or more of the Rating Agencies (each a **Non-Responsive Rating Agency**) indicates that it does not consider such confirmation, affirmation or response necessary in the circumstances, the Requesting Party shall be entitled to disregard the requirement for a confirmation or affirmation of rating or other response by each Non-Responsive Rating Agency and proceed on the basis of the confirmations or affirmations of rating or other responses received by each other Rating Agency or, if no such a confirmation or affirmation of rating or other response is received from any Rating Agency, on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request.

If a Rating Agency does not respond to a written request for a confirmation or affirmation such non response shall not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step.

By acquiring the Covered Bonds, investors will be deemed to have acknowledged and agreed that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters

that may be of relevance to Covered Bondholders, including, without limitation, in the case of a Rating Agency Confirmation or satisfaction of the Rating Condition, whether any action proposed to be taken by the Issuer, the LLP, the Sellers, the Servicers, the Cash Manager, the Bond Trustee, the Security Trustee or any other party to a Transaction Document is either (i) permitted by the terms of the relevant Transaction Document, or (ii) in the best interests of, or not materially prejudicial to, some or all of the Covered Bondholders. In being entitled to have regard to the fact that a Rating Agency has confirmed that the then current ratings of the Covered Bonds would not be adversely affected or withdrawn, each of the Issuer, the LLP, the Bond Trustee, the Security Trustee and 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 a 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 Agencies and the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person whether by way of contract or otherwise.

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

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

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

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

Covered Bonds not in physical form

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

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

RISK FACTORS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF COVERED BONDS

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

Covered Bonds subject to Optional Redemption by the Issuer

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

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

Fixed Rate Covered Bonds

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

Index Linked Interest Covered Bonds, Dual Currency Redemption Covered Bonds and Dual Currency Interest Covered Bonds

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

- the market price of such Covered Bonds may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency from that expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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

Partly-paid Covered Bonds

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

Variable Interest Covered Bonds with a multiplier or other leverage factor

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

Fixed/Floating Rate Covered Bonds

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

Covered Bonds issued at a substantial discount or premium

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

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

Pursuant to Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution), and certain provisions of the Trust Deed and the Deed of Charge, the Bond Trustee has the ability to agree to or direct the Security Trustee to agree to certain modifications, waivers and authorisations under the Covered Bonds (including, without limitation, the N 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.

Subject as provided in Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) and the Trust Deed, the Bond Trustee must, or must direct the Security Trustee to, agree to modifications, waivers and authorisations as referred to above if so directed by (a) an Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series or (b) the holders of not less than 25% 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.

See further Condition 14 for more particulars of the modification, waiver and authorisation provisions applicable to the Covered Bonds.

Certain decisions of the Covered Bondholders taken at Programme level

The Bond Trustee may be directed to serve an Issuer Acceleration Notice following an Issuer Event of Default, to serve an LLP Acceleration Notice following an LLP Event of Default, to take any enforcement action or to direct the Security Trustee to take any enforcement action only by an Extraordinary Resolution passed at a single meeting of all the Covered Bondholders of all Series then outstanding or by the holders of not less than 25% of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding subject, in each case, to being indemnified and/or secured to its satisfaction.

See further Condition 9 for more particulars of the acceleration and enforcement provisions applicable to the Covered Bonds (including, without limitation, the N Covered Bonds).

European Monetary Union

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

It is possible that prior to the maturity of the Covered Bonds the United Kingdom may become a participating member state in the European Monetary Union and that the euro may become the lawful currency of the United Kingdom. In that event: (a) all amounts payable in respect of any Covered Bonds denominated in pounds Sterling may become payable in euro; (b) applicable provisions of law may allow or require the Covered Bonds to be re-denominated into euro and additional measures to be taken in respect of such Covered Bonds; and (c) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in pounds Sterling used to determine the rates of interest on such Covered Bonds or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect

investors. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Covered Bonds.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required, subject to certain exceptions (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

If a payment were to be made or collected through a Member State or dependent or associated territory which has opted for a withholding system and as a consequence of such a system, an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the LLP, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to such Directive, if any.

On 15 September 2008, the European Commission issued a report to the council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

Changes of law

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

UK regulated covered bond regime

On 1 April 2010, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds.

The FSA 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 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. Moreover, as the body which regulates the financial services industry in the UK, the FSA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool). There is a risk that any such enforcement actions by the FSA may adversely affect the ability of the Issuer and/or the LLP to meet its obligations under the Covered Bonds and reduce the amounts available to pay Covered Bondholders.

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

Expenses of insolvency officeholders

Under the RCB Regulations, following the realisation of any asset pool security (excluding circumstances where there is a concurrent winding up of the LLP) certain costs and expenses are payable out of the fixed and floating charge assets of the LLP in priority to the claims of other Secured Creditors (including the Covered Bondholders). Such costs and expenses are also payable out of the floating charge assets of the LLP (but it would appear not out of the fixed charge assets) in priority to the claims of the other Secured Creditors in a winding up of the LLP and/or in an administration of the LLP. Such costs and expenses include disbursements made by the officeholder (including an administrative receiver, liquidator or administrator) in respect of costs in relation to certain senior service providers and hedge counterparties and also general expenses incurred in the corresponding insolvency proceedings in respect of the LLP (which could include any corporation tax charges). This is a departure from the general position under English law which provides that the expenses of any administration (and, following the implementation of a new section 176ZA of the Insolvency Act 1986 on 6 April 2008, the expenses of any liquidation) only rank ahead of a holder of a floating charge (but not ahead of the claims of a fixed charge-holder).

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

See also the investment consideration described below under "*Liquidation expenses*".

Insolvency Act 2000

Significant changes to the United Kingdom insolvency regime have been enacted since 2000, including the Insolvency Act 2000, the relevant provisions of which came into force on 1 January 2003. The Insolvency Act 2000 allows certain "small" companies to seek protection from their creditors for a period of 28 days for the purposes of putting in place a company voluntary arrangement with the option for creditors to extend the moratorium for a further two months. The moratorium provisions of the Insolvency Act 2000 do not expressly state that they apply to limited liability partnerships (such as the LLP). Prior to 1 October 2005, there was some doubt as to whether the moratorium provisions of the Insolvency Act 2000 applied to limited liability partnerships such as the LLP. However, on 1 October 2005, the Limited Liability Partnership (Amendment) Regulations 2005 made it clear that the moratorium provisions apply to limited liability partnerships subject to certain modifications.

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

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

English law security and insolvency considerations

The LLP will enter into the Deed of Charge on the Initial Programme Date, pursuant to which it will grant the Security in respect of its obligations under the Guarantee (as to which, see "*Transaction Documents – Deed of Charge*"). In certain circumstances, including the occurrence of certain insolvency events in respect of the LLP, the ability to realise the Security may be delayed and/or the value of the Security impaired. While the transaction structure is designed to minimise the likelihood of the LLP becoming insolvent, there can be no assurance that the LLP will not become insolvent and/or the subject of insolvency proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency laws and, if appropriate, Scottish insolvency laws).

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 section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of Secured Creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors. 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, if the Issuer becomes registered, in the register of issuers under the RCB Regulations, the provisions set out above in respect of section 176A of the Insolvency Act 1986 will not apply with respect to the LLP and its floating charge assets. However, the provisions set out above will apply to the LLP prior to such time that the RCB Regulations apply in respect of the LLP.

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a swap 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. Such provisions are similar in effect to the terms included in the Transaction Documents relating to the subordination of Swap Excluded Termination Amounts.

In this regard, the English Court of Appeal has recently affirmed the decision of the English High Court that such a subordination provision is valid under English law. This decision may be subject to a further appeal to the UK Supreme Court.

However, contrary to the determination of the English courts, the US Bankruptcy Court recently held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known and certain issues remain subject to a pending status conference among the parties to the dispute. Like the recent English decision, the US decision may be subject to appeal.

If a creditor of the LLP (such as the Swap Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales, 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 Payment which refers to the ranking of the Swap Counterparty's payment rights in respect of Swap Excluded Termination Amounts). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy law. More generally, there can be no assurance that such subordination provisions would be upheld under the insolvency laws of any relevant jurisdiction outside England and Wales.

In turn, if the courts of a jurisdiction outside England and Wales do not uphold such provisions, it is unclear whether and to what extent the relevant proceedings and corresponding findings would be recognised by the English courts. While the English courts have been supportive of subordination arrangements generally thus far, there can be no assurance that this position would be unaffected in the context of co-operation between courts in a cross-border insolvency case. As such, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the LLP to satisfy its obligations under the Covered Bonds.

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

RISK FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH COVERED BONDS ISSUED UNDER THE PROGRAMME

Risk Factors relating to the Issuer

Prospective Investors should consider the Section entitled "Risk Factors" provided in the RBS Registration Document referred to in "Documents Incorporated by Reference" above. In addition to those set out below.

The risk factor headed "*As a condition to HM Treasury support, RBSG has agreed to certain undertakings which may serve to limit the Group's operations and it may be required to agree to further restrictions in the future*" on pages 20 and 21 of the RBS Registration Document shall be deemed to be deleted and replaced with the risk factor set out in Schedule 1 to the Relevant EMTN Supplement, which is incorporated by reference into this Prospectus.

The risk factor set out in Schedule 2 to the Relevant EMTN Supplement, which is incorporated by reference into this Prospectus, shall be deemed to be inserted after the final risk factor set out on page 37 of the RBS Registration Document.

The risk factor headed "*The restructuring proposals for ABN AMRO are complex and may not realise the anticipated benefits for the Group*" on page 26 of the RBS Registration Document, which is incorporated by reference into this Prospectus shall, for the purposes of being incorporated by reference into this Prospectus, be deemed to be deleted and replaced with the risk factor set out in Schedule 3 to the Relevant EMTN Supplement, which is incorporated by reference into this Prospectus.

In addition, for the purposes of being incorporated by reference into this Prospectus, the RBS Registration Document shall be deemed to be amended in accordance with the amendments set out in Schedule 4 to the Relevant EMTN Supplement, which is incorporated by reference into this Prospectus.

The Group's businesses, earnings and financial condition have been and will continue to be affected by the global economy and instability in the global financial markets

The performance of the Group has been and will continue to be influenced by the economic conditions of the countries in which it operates, particularly the United Kingdom, the United States and other countries throughout Europe, the Middle East and Asia. The outlook for the global economy over the near to medium term remains challenging, particularly in the United Kingdom, the United States and other European economies. In addition, the global financial system has yet to fully overcome the difficulties which first manifested themselves in August 2007 and financial markets conditions have not yet fully normalised. These conditions led to severe dislocation of financial markets around the world and unprecedented levels of illiquidity in 2008 and 2009, resulting in the development of significant problems at a number of the world's largest corporate institutions operating across a wide range of industry sectors, many of whom are the Group's customers and counterparties in the ordinary course of its business. In response to this economic instability and illiquidity in the market, a number of governments, including the United Kingdom Government, the governments of the other EU member states and the United States Government, have intervened in order to inject liquidity and capital into the financial system, and, in some cases, to prevent the failure of these institutions.

Despite such measures, the volatility and disruption of the capital and credit markets have continued, with many forecasts predicting only modest levels of GDP growth over the course of 2010. Similar conditions are likely to exist in a number of the Group's key markets, including those in the United States and Europe, particularly Ireland. These conditions have exerted, and may continue to exert, downward pressure on asset prices and on availability and cost of credit for financial institutions, including RBSG, and will continue to impact the credit quality of the Group's customers and counterparties. Such conditions, alone or in combination with regulatory changes or actions of other market participants, may cause the Group to incur losses or to experience further reductions in business activity, increased funding costs and funding pressures,

lower share prices, decreased asset values, additional write-downs and impairment charges and lower profitability.

The performance of the Group may be affected by economic conditions impacting euro-zone member states. The financial problems experienced by the government of Greece, for example, may require it to issue significant amounts of indebtedness, which may reduce demand for debt issued by financial institutions and corporate borrowers. This could adversely affect the Group's access to the debt capital markets and may increase the Group's funding costs, having a negative impact on the Group's earnings and financial condition. In addition, euro-zone countries in which the Group operates may be required to provide financial assistance to Greece, which may in turn have a negative impact on the financial condition of those EU member states. Should the economic conditions facing Greece be replicated in other euro-zone member states, the risks above would be exacerbated.

In addition, the Group will continue to be exposed to the risk of loss if major corporate borrowers or counterparty financial institutions fail or are otherwise unable to meet their obligations. The Group currently experiences certain business sector and country concentration risk, primarily focused in the United States, the United Kingdom and the rest of Europe and relating to personal and banking and financial institution exposures. The Group's performance may also be affected by future recovery rates on assets and the historical assumptions underlying asset recovery rates, which (as has already occurred in certain instances) may no longer be accurate given the unprecedented market disruption and general economic instability. The precise nature of all the risks and uncertainties the Group faces as a result of current economic conditions cannot be predicted and many of these risks are outside the control of the Group.

UK Banking Act 2009

If an instrument or order were to be made under the Banking Act 2009 (the **Banking Act**) in respect of the Issuer, such instrument or order may (amongst other things) affect the ability of RBS (including in its capacities as Issuer, Seller, Servicer Account Bank and Interest Rate Swap Provider) to satisfy its obligations under the Transaction Documents and/or result in (i) the stabilisation options referred to in the risk factor headed "RBSG and its United Kingdom bank subsidiaries may face the risk of full nationalisation or other resolution procedures under the Banking Act 2009" on pages 7 and 9 of the RBS Registration Document, which is incorporated by reference into this Prospectus, being exercised and/or (ii) modifications to the Terms and Conditions of the Bonds and/or the Transaction Documents which may, among other things, have tax implications. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain non-performance related trigger events included in the Transaction Documents in respect of the Issuer, including certain trigger events in respect of perfection of legal title to the Loans and certain of the Issuer Events of Default). Moreover, other than in the context of certain partial property transfers under the Banking Act, modifications may be made to contractual arrangements between the relevant institution and certain group companies (such as the LLP). If an instrument or order were to be made under the Banking Act in respect of RBS in its various capacities under the Programme such action may affect various other aspects of the transaction, including resulting in modifications to the Transaction Documents such that the relevant instrument or order (and certain related events) is required to be disregarded as described above with respect to certain default events linked to the relevant entity and, more generally, the ability of relevant entities to perform their obligations under the Transaction Documents. As a result, the making of an instrument or order in respect of the Issuer, or any other Transaction Party may affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee and/or the ability of the Issuer to meet its obligations in respect of the Covered Bonds. While there is provision for compensation under the Act, there can be no assurance that Covered Bondholders would recover compensation promptly and equal to any loss actually incurred.

As at the date of this Prospectus, HM Treasury and the Bank of England have not made an instrument or order under the Banking Act in respect of RBS or the RBS Group.

Risk factors relating to the LLP

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

Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Bond Trustee on the LLP. Subsequent to a failure by the Issuer to make a payment in respect of one or more Series of Covered Bonds, the Bond Trustee may, but is not obliged to, serve an Issuer Acceleration Notice unless and until requested or directed by the holders of at least 25% of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding as if they were a single Series or if so directed by an Extraordinary Resolution of all the Covered Bondholders in (including, without limitation, the N Covered Bondholders) accordance with Condition 9(a) (Issuer Events of Default). Following service of a Notice to Pay on the LLP, under the terms of the Covered Bond Guarantee the LLP will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. In these circumstances, the LLP will not be obliged to pay any other amounts which become payable for any other reason.

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

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

Excess Proceeds received by the Bond Trustee

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

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

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

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuer, all amounts payable under the Covered Bonds will be accelerated by the Bond Trustee as against the Issuer following which a Notice to Pay will be served by the Bond Trustee on the LLP. The LLP's ability to meet its obligations under the Covered Bond Guarantee will depend on: (i) the realisable value of Selected Loans and their Related Security in the Portfolio; (ii) the amount of Revenue Receipts and Principal Receipts generated by the Portfolio and the timing thereof; (iii) amounts received from the Swap Providers; (iv) the realisable value of Substitution Assets held by it; (v) the receipt by it of credit balances and interest on credit balances on the Deposit Account; and (vi) the receipt by it of the interest element of Authorised Investments. 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.

All obligations of the LLP to the Covered Bondholders in respect of the Secured Obligations owing to the Covered Bondholders are limited in recourse to the Charged Property and, upon the Security Trustee giving written notice to the Covered Bondholders that:

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

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.

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

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

The LLP or the Cash Manager acting on its behalf may, from time to time, send notification to the Security Trustee of the proposed percentage (used in the computation of the Aggregate Adjusted Asset Amount and the Asset Percentage) selected by it in accordance with the relevant provisions of the LLP Deed, being the difference between 100 per cent. and the amount of credit enhancement required to ensure that the Covered

Bonds achieve an Aaa rating by Moody's using Moody's expected loss methodology. However there is no obligation on the LLP to ensure that an Aaa rating is maintained by Moody's and the LLP is under no obligation to change the figure selected by it in accordance with the relevant provisions of the LLP Deed and notified to Moody's and the Security Trustee in order to maintain the level of credit enhancement necessary to maintain an Aaa rating by Moody's. 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, without resulting in a breach of the Asset Coverage Test. An Issuer Event of Default and/or an LLP Event of Default will not occur solely as a result of a downgrade of the Covered Bonds.

Reliance of the LLP on third parties

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

If a Servicer Event of Default occurs pursuant to the terms of the Servicing Agreement, then the LLP and/or the Security Trustee will be entitled to terminate the appointment of the relevant Servicer to whom such default relates and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Loans on the terms of the Servicing Agreement. In addition, as described below, any substitute servicer will be required to be authorised under the FSMA. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Portfolio or any part thereof, and/or the ability of the LLP to make payments under the Covered Bond Guarantee. However, if RBS in its capacity as a Servicer ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa1 or by Fitch of at least BBB- it will use reasonable efforts to enter, within 60 calendar days of such downgrade, into a back-up master servicing agreement with a suitable third party to perform all the Services under the Servicing Agreement. The back-up master servicing agreement will provide for such suitably experienced third party servicer to undertake the servicing/or master servicing obligations in relation to the Portfolio within 60 calendar days of RBS ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of Moody's of at least Baa3 or by Fitch of at least BBB-.

Neither Servicer has any 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 a 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 a Servicer of its obligations.

Reliance on Swap Providers

To provide a hedge against possible variances in the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate) and LIBOR for one month Sterling deposits, the LLP will enter

into the Interest Rate Swap Agreement with the Interest Rate Swap Provider. In addition, to provide a hedge against interest rate and currency risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swaps and amounts payable by the LLP on the outstanding Term Advances or (following service on the LLP of a Notice to Pay) under the Covered Bond Guarantee in respect of the Covered Bonds, the LLP will, where necessary, enter into a Covered Bond Swap Agreement, in respect of certain Series or Tranches of Covered Bonds, with each Covered Bond Swap Provider.

If the LLP fails to make timely payments of amounts due under any Swap Agreement (except where such failure is caused by the assets available to the LLP on a relevant payment date being insufficient to make the required payment in full), then it will have defaulted under that Swap Agreement and the Swaps governed by 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 terminates or the Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the LLP on the payment date under the Swap Agreements, the LLP will be exposed to changes in the relevant currency exchange rates to Sterling (where relevant) and/or to any changes in the relevant rates of interest. Unless a replacement swap(s) is entered into, the LLP may have insufficient funds to make payments under the Intercompany Loan Agreement or Covered Bond Guarantee.

If a Swap terminates, then the LLP may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the LLP will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the LLP will be able to find a replacement swap counterparty which has sufficiently high ratings as may be required to ensure that the then current ratings of the Covered Bonds would not be downgraded and which agrees to enter into a replacement swap agreement.

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

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

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

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

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

Limited description of the Portfolio

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

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

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

Fixed charges may take effect under English law as floating charges

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

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the LLP may take effect under English law as floating charges only, if,

for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property for the security to be said to constitute fixed charges. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. In particular, the "prescribed part" (referred to below), the expenses of any administration and/or winding up and the claims of any preferential creditors would rank ahead of the claims of the Security Trustee in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the United Kingdom tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the LLP has agreed in the Transaction Documents not to have any employees.

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

Under Scots law the concept of fixed charges taking effect as floating charges does not arise and accordingly there is no equivalent risk.

Liquidation Expenses

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that, in general 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 Rules 1986.

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. On the basis of and as a result of the changes described above, 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.

Maintenance of Portfolio

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

Alternatively, RBS (in its capacity as Member of the LLP) may make a Cash Capital Contribution to the LLP pursuant to the LLP Deed in order to ensure that the LLP is in compliance with the Asset Coverage Test. If a breach of the Asset Coverage Test occurs which is not cured on the next Calculation Date, an Asset Coverage Test Breach Notice will be served on the LLP, which will result in the consequences set out in the section of this Prospectus entitled "*Summary of Principal Documents – LLP Deed – Asset Coverage Test*". There is no specific recourse by the LLP to RBS in respect of the failure to sell or procure the sale of Loans and their Related Security to the LLP nor is there any specific recourse to RBS if it does not make

Cash Capital Contributions to the LLP. In addition, Covered Bondholders should be aware that the FSA may take certain action in relation to RBS, including prohibiting RBS from transferring further Loans to the LLP. Any such action by the FSA 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 must ensure that on each Calculation Date following service of a Notice to Pay on the LLP but prior to the service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, the Amortisation Test Aggregate Loan Amount is in an amount at least equal to the aggregate Sterling Equivalent of the Principal Amount Outstanding under the Covered Bonds. The Amortisation Test is intended to ensure that the assets of the LLP do not fall below a certain threshold to ensure that the assets of the LLP are sufficient to meet its obligations under the Covered Bond Guarantee and senior expenses that rank in priority to or *pari passu* with amounts due on the Covered Bonds.

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

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

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

If an Asset Coverage Test Breach Notice or a Notice to Pay is served on the LLP (and, in the case of an Asset Coverage Test Breach Notice, for as long as such notice remains outstanding), the LLP will be obliged to sell Selected Loans and their Related Security (selected on a random basis) in order to remedy a breach of the Asset Coverage Test or to make payments to the LLP's creditors, including payments under the Covered Bond Guarantee, as appropriate (see the section of this Prospectus entitled "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice*" and "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security following service of a Notice to Pay*").

There is no guarantee that a buyer will be found to acquire Selected Loans and their Related Security at the times required and there can be no guarantee or assurance as to the price which the LLP may be able to obtain, which may affect the ability of the LLP to make payments under the Covered Bond Guarantee. However, if a Notice to Pay has been served, the Selected Loans may not be sold by the LLP for less than an amount equal to the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds until six months prior to the Final Maturity Date in respect of such Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Due for Payment Date in respect of such Covered Bonds. In the six months prior to, as applicable, the Final Maturity Date or Extended Due for Payment Date, as applicable, the LLP is obliged to sell the Selected Loans and their Related Security for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount. Where the LLP sells Selected Loans and their Related Security for less than the relevant Adjusted Required Redemption Amount, the LLP may have insufficient funds available to pay all amounts due on the Covered Bonds on the Final Maturity Date or, where applicable, the Extended Due for Payment Date.

Sale of Selected Loans and their Related Security prior to maturity of Hard Bullet Covered Bonds where Pre-Maturity Test is failed or following the occurrence of an Issuer Event of Default

If the Pre-Maturity Test is failed, the LLP is obliged (unless RBS (in its capacity as a Member of the LLP) chooses to make sufficient Cash Capital Contributions) to sell Selected Loans and their Related Security (selected on a random basis) 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 such amounts (see the section of this Prospectus entitled "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security if the Pre-Maturity Test is failed*").

There is no guarantee that a buyer will be found to acquire Selected Loans and their Related Security at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Covered Bond Guarantee.

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

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

- representations or warranties not being given by the LLP or (unless otherwise agreed with the relevant Seller) a Seller;
- default by Borrowers of amounts due on their Loans;
- the Loans of New Sellers being included in the Portfolio;
- changes to the Lending Criteria of the Sellers;
- the LLP not having legal title to the Loans in the Portfolio;
- risks in relation to some types of Loans which may adversely affect the value of Portfolio or any part thereof;
- limited recourse to the Sellers;
- possible regulatory changes by the Office of Fair Trading (the **OFT**), the FSA and other regulatory authorities; and
- regulations in the United Kingdom that could lead to some terms of the Loans being unenforceable.

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

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

Following a failure of the Pre-Maturity Test, the service of an Asset Coverage Test Breach Notice (which remains outstanding) or the service of a Notice to Pay on the LLP (but in each case prior to the service of a LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the LLP will be obliged to sell Selected Loans and their Related Security to third party purchasers, subject to a right of pre-emption enjoyed by the Sellers pursuant to the terms of the Mortgage Sale Agreements (see the section of this Prospectus entitled "*Summary of the Principal Documents – LLP Deed – Method of Sale of Selected Loans and their Related Security*"). In respect of any sale of Selected Loans and their Related Security to third parties, however, the LLP will not be permitted to give warranties or indemnities in respect of those Selected Loans and their Related Security. There is no assurance that the Sellers would give any warranties or representations in respect of the Selected Loans and their Related Security originally originated or acquired by it and sold to the LLP. Any representations or warranties previously given by a Seller in respect of the Loans in the Portfolio sold by it to the LLP may not have value for a third party purchaser if that Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Loans and their Related Security could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

Default by Borrowers in paying amounts due on their Loans

Borrowers may default on their obligations due under the Loans. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal. Examples of such factors include changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

The recent downturn in the United Kingdom economy has had a negative effect on the housing market. The fall in property prices resulting from the deterioration in the housing market and increased unemployment leading to borrowers defaulting on their mortgage loans could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem the outstanding loan. If deterioration occurs in the quality of the Portfolio, this could have an adverse effect on the LLP's ability to make payment under the Covered Bond Guarantee. There can be no assurance that the housing market will not continue to deteriorate.

The current United Kingdom economic environment may affect the rate at which the Sellers originate new mortgage loans and may also affect the level of attrition of the Seller's existing borrowers, which could in turn adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee.

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

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

The Loans of New Sellers may be included in the Portfolio

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

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

Changes to the Lending Criteria of the Sellers

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

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

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

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

- first, if a Seller wrongly sells a Loan and its Related Security, which has already been sold to the LLP, to another person and that person acted in good faith and did not have notice of the interests of the LLP in the Loan and its Related Security, then such person might obtain good title to the Loan and its Related Security, free from the interests of the LLP. If this occurred then the LLP would not have good title to the affected Loan and its Related Security and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the LLP would be likely to be limited to circumstances arising from a breach by the relevant Seller of its contractual obligations or fraud, negligence or mistake on the part of the relevant Seller or the LLP or their respective personnel or agents;
- second, the rights of the LLP may be subject to the rights of the Borrowers against a Seller, such as rights of set-off, which occur in relation to transactions or (in the case of deposit taking institutions, such as RBS) deposits made between Borrowers and a Seller, and the rights of Borrowers to redeem their mortgages by repaying the Loans directly to the Seller; and
- third, unless the LLP has perfected the assignment or assignation (as appropriate) of the Loans and their Related Security (which it is only entitled to do in certain limited circumstances), the LLP would not be able to enforce any Borrower's obligations under a Loan or Mortgage itself but would have to join the relevant Seller as a party to any legal proceedings.

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

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

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

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

As described above, the sale by the Sellers to the LLP of English Loans has been or will be given effect by an equitable assignment, with each sale of Scottish Loans being given effect by a Scottish Declaration of Trust. As a result, legal title to the English Loans and the Scottish Loans and their Related Security sold by the Sellers to the LLP will remain with the Sellers. Therefore, the rights of the LLP may be subject to the direct rights of the Borrowers against a particular Seller, including rights of set-off which occur in relation to transactions or deposits made between the Borrowers and a Seller existing prior to notification to the Borrowers of the assignment or assignation (as appropriate) of the Loans.

For instance, set-off rights may arise if a Seller fails to advance to a Borrower a Flexible Loan Drawing when the Borrower is entitled to draw additional amounts under a Flexible Loan, or fails to advance an Additional Loan Advance having agreed to do so.

If the relevant Seller fails to advance the required sum in accordance with the relevant Loan, then the relevant Borrower may set off any claim for damages (or analogous rights in Scotland) arising from that Seller's breach of contract against that Seller's (and, as equitable assignee of or holder of the beneficial interest in the Loans and the Mortgages in the Portfolio, the LLP's) claim for payment of principal and/or interest under the relevant Loan as and when it becomes due. These set-off claims will constitute transaction set-off, as described in the immediately preceding risk factor.

The amount of any such claim against a Seller will, in many cases, be the cost to the Borrower of finding an alternative source of funds (although, in respect of a Scottish Loan, it is possible, though regarded as unlikely, that the Borrower's rights of set-off could extend to the full amount of the additional drawing). The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses arising from the relevant Seller's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees). If the Borrower is unable to obtain an alternative mortgage loan, he or she may have a claim in respect of other indirect losses arising from that Seller's breach of contract where there are special circumstances communicated by the Borrower to the relevant Seller at the time the Borrower entered into the Mortgage or which otherwise were reasonably foreseeable.

A Borrower may also attempt to set off an amount greater than the amount of his or her damages claim (or analogous rights in Scotland) against his or her mortgage payments. In that case, the relevant Servicer will be entitled to take enforcement proceedings against the Borrower, although the period of non-payment by the Borrower is likely to continue until a judgment is obtained.

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 not assurance that such risks will be accounted for).

Limited recourse to the Sellers

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

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

If the relevant Seller fails to remedy the breach of a representation and warranty within 28 London Business Days, then that Seller will be required (but only prior to the occurrence of an Issuer Event of Default and after the service of a Loan Repurchase Notice) to repurchase on or before the next following LLP Payment Date (or such other date that may be agreed between the LLP and that Seller) the relevant Loan and its Related Security and any other Loans of the relevant Borrower that are included in the Portfolio, at their True Balance plus Accrued Interest and Arrears of Interest as of the date of repurchase.

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

Regulatory changes by the Office of Fair Trading, the Financial Services Authority and any other regulatory authorities

FSMA

In the UK, regulation of residential mortgage business by the FSA under the FSMA came into force on 31 October 2004, the date known as "N(M)".

Since N(M), the following activities: (i) entering into; (ii) administering; (iii) arranging in respect of; and (iv) advising in respect of regulated mortgage contracts as well as (v) agreeing to do any of those activities, have been (subject to exemptions) regulated activities under the FSMA.

A credit agreement is a **regulated mortgage contract** under the FSMA if it is originated on or after N(M), and at the time it is entered into: (i) the credit agreement is one under which the lender provides credit to an individual or trustee; (ii) the contract provides for the repayment obligation of the borrower to be secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the United Kingdom; and (iii) at least 40 per cent. of that land is used, or is 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" (broadly, the person's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse).

The main effects are that, on or after N(M), unless an exclusion or exemption applies: (a) each entity carrying on a regulated mortgage activity by way of business has to hold authorisation and permission from the FSA to carry on that activity; and (b) each financial promotion in respect of an agreement relating to qualifying credit has to be issued or approved by a person holding authorisation from the FSA. It should be noted that the definition of "qualifying credit" is broader than that of "regulated mortgage contract" and may include mortgage loans that are regulated by the Consumer Credit Act 1974 (CCA) or treated as such or unregulated and under which the lender is a person (such as the Sellers) who carries on the regulated activity of entering into a regulated mortgage contract. If requirements as to authorisation and permission of lenders and brokers or as to the issue and approval of financial promotions are not complied with, the regulated mortgage contract (or, in the case of failure to comply with the financial promotions requirements, the relevant mortgage loan that is "qualifying credit") will be unenforceable against the borrower except with the approval of the court. An unauthorised person who administers a regulated mortgage contract entered into on or after N(M) may commit a criminal offence, but this will not render the contract unenforceable against the borrower.

Each Seller is required to have permission to enter into and to administer and, where applicable, advise on regulated mortgage contracts. Brokers will in certain circumstances be required to have authorisation and permission from the FSA to arrange and, where applicable, to advise in respect of regulated mortgage contracts.

However, a person who is not an authorised person does not carry on the activity of administering a regulated mortgage contract where he arranges for another person, being an authorised person with permission to carry on that activity, to administer the contract or administers the contract himself for a period of not more than one month beginning with the day on which any such arrangement comes to an end. Accordingly, a special purpose vehicle (such as the LLP) will 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 permission. If such a servicing agreement were to terminate, however, that vehicle would have a period of not more than one month to arrange for mortgage administration to be carried out by a replacement servicer having the required permission.

Credit agreements that were entered into before N(M) but are subsequently changed such that a new contract is entered into on or after N(M), are regulated under the FSMA where they fall within the definition of a "regulated mortgage contract". However, on and after N(M), no variation has been or will be made to a Loan and no Product Switch or Further Advance has been or will be made in relation to a Loan, where it

would result in the LLP advising or arranging in respect of, administering or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the LLP would be required to be authorised under the FSMA to do so.

There is a risk that any credit agreement intended to be a regulated mortgage contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a regulated mortgage contract under the FSMA, because of technical rules on: (a) determining whether the credit agreement or any part of it falls within the definition of "regulated mortgage contract"; and (b) changes to credit agreements.

The FSA's Mortgages and Home Finance: Conduct of Business Sourcebook (**MCOB**), which sets out its rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. FSA 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 an FSA rule, and may set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken (or exercise analogous rights in Scotland). Any such set-off may adversely affect the realisable value of the Loans in the Portfolio and accordingly the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

With the intention of avoiding dual regulation, it is intended that regulated mortgage contracts under the FSMA will not be regulated by the CCA, and the relevant regulations made in 2005 and 2008 under the FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after N(M) (and credit agreements made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) constitutes a separate regulated credit agreement). A court order under Section 126 of the CCA is, however, necessary to enforce a land mortgage (or, in Scotland, a standard security) securing a regulated mortgage contract to the extent that the credit agreement would, apart from this exemption, be regulated by the CCA or treated as such.

As some of the Loans to be included in the Portfolio were offered on or after N(M), the FSMA regime as set out above is intended to apply to such Loans. Also, although other Loans to be included in the Portfolio were offered prior to N(M), as subsequent Further Advances and Product Switches relating to such Loans were documented as variations to the existing agreements, it is possible that a court could hold that such variations create a Regulated Mortgage Contract. Each Seller has given or, as applicable, will give warranties to the LLP and the Security Trustee in the relevant Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be remedied, that Seller will be required to repurchase or procure the repurchase of such Loan and its Related Security from the LLP.

Prior to N(M), in the UK, self-regulation of mortgage business existed under the Mortgage Code (the **CML Code**) issued by the Council of Mortgage Lenders (the **CML**). The CML Code set out minimum standards of good mortgage business practice, from marketing to lending procedures and dealing with borrowers experiencing financial difficulties. Since 30 April 1998 lender-subscribers to the CML Code could not accept mortgage business introduced by intermediaries who were not registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on and after 1 November 2000 until 31 October 2004) the Mortgage Code Compliance Board. Complaints relating to breach of the CML Code were dealt with by the relevant scheme, such as the Banking Ombudsman Scheme or the Mortgage Code Arbitration Scheme. The CML Code ceased to have effect on 31 October 2004 when the FSA assumed responsibility for the regulation of regulated mortgage contracts.

Distance Marketing of Financial Services

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the lender and the borrower). A regulated mortgage contract under the FSMA, if originated by a UK lender from an establishment in the UK, will not be cancellable under these regulations but will be subject to related pre-contract disclosure requirements in MCOB. Certain other credit agreements will be cancellable under these regulations if the borrower does not receive the prescribed information at the prescribed time. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received or, if later, the borrower receives the last of the prescribed information.

If the borrower cancels a credit agreement under these regulations, then: (i) the borrower is liable to repay the principal and any other sums paid by the lender to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower sending notice of cancellation or, if later, the lender receiving notice of cancellation; (ii) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and (iii) any security is treated as never having had effect for the cancelled agreement.

Financial Ombudsman

Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**) is required to make decisions on, *inter alia*, complaints relating to activities and transactions under its jurisdiction, including the Loans, on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all the circumstances of the case, taking into account, *inter alia*, law and guidance. By transitional provisions, the Ombudsman is also required to deal with certain complaints relating to breach of the CML Code. 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 an ombudsman.

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, which may adversely affect the value at which the Loans in the Portfolio could be realised and accordingly the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

Consumer Credit Act 1974

In the United Kingdom, the OFT is responsible for the issue of licences under, and the superintendence of the working and the enforcement of, the CCA, related consumer credit regulations and other consumer protection legislation. The OFT may review businesses and operations, provide guidelines to follow and take actions when necessary with regard to the consumer credit market in the United Kingdom (except to the extent of the regulation of the market by the FSA under the FSMA, as described above). The licensing regime under the CCA is different from, and where applicable, additional to, the regime for authorisation under the FSMA.

A credit agreement is regulated by the CCA where: (i) the borrower is or includes an "individual" as defined in the CCA, (ii) if the credit agreement was made before the financial limit was removed (as described below), the amount of "credit" as defined in the CCA did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date, and (iii) the credit agreement is not an exempt agreement under the CCA (for example, it is intended that a regulated mortgage contract under the FSMA is an exempt agreement under the CCA).

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with requirements under the CCA as to licensing of lenders and brokers, documentation and procedures of credit agreements, and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower: (a) without an order of the OFT, if the lender or any broker does not hold the required licence at the relevant time; (b) totally, if the credit agreement was made before 6 April 2007 and if the form to be signed by the borrower has not been signed by the borrower personally or omits or mis-states a "prescribed term"; or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender.

There is a risk that any credit agreement intended to be a regulated mortgage contract under the FSMA, or unregulated, might instead be wholly or partly regulated by the CCA or treated as such because of technical rules on: (a) determining whether any credit under the CCA arises, or whether any applicable financial limit of the CCA is exceeded; (b) determining whether the credit agreement is an exempt agreement under the CCA; and (c) changes to credit agreements.

A court order under Section 126 of the CCA is necessary to enforce a land mortgage (or, in Scotland a standard security) securing a credit agreement to the extent that the credit agreement is regulated by the CCA or treated as such. In dealing with such application, the court has the power, if it appears just to do so, to amend the credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Under section 75 of the CCA in certain circumstances: (i) the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by the lender, where the related credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier, and (ii) the lender has a statutory indemnity from the supplier against such liability, subject to any agreement between the lender and the supplier. The Borrower may set off the amount of the claim against the lender against the amount owing by the Borrower under the Loan or under any other Loan which the Borrower has with the Seller (or exercise analogous rights in Scotland). Any such set-off may adversely affect the realisable value of the Loans in the Portfolio and accordingly the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

The Consumer Credit Act 2006 (the **CCA 2006**), which amends and updates the CCA, was enacted on 30 March 2006 and was fully implemented by 31 October 2008.

The "extortionate credit" regime has been replaced by an "unfair relationship" test. The unfair relationship test applies to all existing and new credit agreements, except regulated mortgage contracts under the FSMA. The test explicitly imposes liability to repay amount received from the borrower on both the originator and any assignee, such as the LLP. In applying the unfair relationship test, the courts will be able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair", as the intention is for the test to be flexible and subject to judicial discretion. However, the word "unfair" is not an unfamiliar term in UK legislation, due to the Unfair Contract Terms Act 1977, the Unfair Terms in Consumer Contracts Regulations 1994 and the Unfair Terms in Consumer Contracts Regulations 1999. The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The FSA principles for businesses may also be relevant, and apply to the way contract terms are used in practice and not just the way they are drafted. Once the borrower alleges that an unfair relationship exists, then the burden of proof is on the creditor to prove the contrary.

An alternative dispute resolution scheme for consumer credit matters was established on 6 April 2007 and is run by the Ombudsman (as described above). The scheme is mandatory for all businesses licensed under the CCA. The OFT was given far broader powers under the CCA from 6 April 2008. For example, it can apply civil penalties, has far greater powers of investigation and can issue indefinite standard licences. For appeals against such decisions by the OFT, the CCA 2006 also introduced an independent Consumer Credit Appeals

Tribunal, whose functions are expected to be transferred to the General Regulatory Chamber in September 2009.

The financial limit for CCA regulation is removed for credit agreements made on or after 6 April 2008, except for certain changes to credit agreements, and except for buy-to-let loans made before 31 October 2008. Buy-to-let loans made on or after 31 October 2008 are, irrespective of amount, exempt agreements under the CCA. Regulations define buy-to-let loans for these purposes as being credit agreements secured on land where less than 40 per cent. of the floor area of the secured property is used, or is intended to be used, as or in connection with a dwelling by the borrower or by a connected person. A court order under Section 126 of the CCA is, however, necessary to enforce a land mortgage (or, in Scotland, a standard security) securing a buy-to-let loan to the extent that the loan would, apart from this exemption, be regulated by the CCA or treated as such.

To the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period when the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices, (b) the borrower will not be liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure, and (c) interest upon default fees will be restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest.

Charges payable on any early repayment in full are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies to credit agreements made on or after 31 May 2005, and applies retrospectively to all existing credit agreements from 31 May 2007 or 31 May 2010, depending on their term. These changes to the CCA may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

The Sellers have interpreted certain technical rules under the CCA in a way common with many other lenders in the mortgage market. If such interpretation were held to be incorrect by a court or the Ombudsman, then a Loan, to the extent that it is regulated by the CCA or treated as such, would be unenforceable as described above. If such interpretation were challenged by a significant number of Borrowers, then this could lead to significant disruption and shortfall in the income of the LLP. Court decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

The Sellers has given or, as applicable, will give warranties to the LLP and the Security Trustee in the Mortgage Sale Agreements that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be remedied, then the Seller will be required to repurchase or procure the repurchase of such Loan and its Related Security from the LLP.

Consumer Credit Directive 2008

In April 2008, the European Parliament and the Council adopted a second directive on consumer credit (the **Consumer Credit Directive**), which provides that, subject to exemptions, loans from €200 up to €75,000 between credit providers and consumers will be regulated. This directive will repeal and replace the first consumer credit directive on, and requires Member States to implement the directive by measures coming into force by 11 June 2010. Proposals for implementation were published in July 2009.

Loans secured by a land mortgage (including, in Scotland, a standard security) are, however, exempted from the Consumer Credit Directive and from the first consumer credit directive. A public consultation on the proposals for implementation of the Consumer Credit Directive has now closed. The European Commission published a White Paper on mortgage credit in December 2007, setting out its tasks for 2008 to 2010 including, among other things, an assessment of the regulation of early repayment charges, pre-contract

disclosure and interest rate restrictions. The European Commission has stated that, in its view, it is too early to decide on whether a mortgage directive would be appropriate.

Until the final text of any initiatives resulting from the White Paper process is decided and the details of the UK's implementation of the Consumer Credit Directive are published, it is not certain what effect the adoption and implementation of the Consumer Credit Directive or any initiatives resulting from the White Paper process would have on the Loans, the Sellers, the Issuer, the LLP and/or the Servicers and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Covered Bonds when due and/or on the ability of the LLP to make payments in full on the Covered Bond Guarantee when due.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the **UTCCR**), apply to agreements made on or after 1 July 1995 and affect all or almost all the Loans. These provide that:

- a consumer may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the contract itself will continue to bind the parties if it is capable of continuing in existence without the unfair term); and
- the OFT and any "qualifying body" within the 1999 Regulations (such as the FSA) may seek to enjoin (or in Scotland interdict) a business from relying on unfair terms,

The UTCCR will not generally affect "core 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), but may affect terms that are not considered to be core terms, 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 Seller 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 to 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. Any such non-recovery, claim or set-off may adversely affect the realisable value of the Loans in the Portfolio and accordingly the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

The division of responsibilities between the OFT and the FSA for enforcing the UTCCR is set out in the concordats made between them in October 2001, July 2006, and December 2008. Generally, the FSA is responsible for enforcement of the UTCCR in Regulated Mortgage Contracts under the FSMA in respect of the activities of lenders authorised by the FSA, and the OFT is responsible for the enforcement of the UTCCR in other mortgage contracts.

In February 2000, the OFT issued a guidance note on what the OFT considers to be fair terms and unfair terms for interest variation in mortgage contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control, and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded as unfair under the UTCCR unless the lender: (a) notifies the affected borrower in writing at least 30 days before the rate change, and (b) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The guidance note has been withdrawn from the OFT website, but may remain in effect as the OFT's view and a factor that the FSA may take into account.

In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides that, for locked-in borrowers, a firm may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In the context of the OFT's investigation into credit card default charges, the OFT on 5 April 2006 publicly announced that the principles the OFT considers should be applied in assessing the fairness of credit card default charges shall apply (or are likely to apply) also to analogous default charges in other agreements, including those for mortgages.

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a borrower exits the mortgage. The FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the FSA's Unfair Contract Terms Regulatory Guide came into force. This guide is designed to explain the FSA's policy on how it will use its powers under the 1999 Regulations.

The extremely broad and general wording of the UTCCR 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 or may be made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of such Loans.

In August 2002, the Law Commission for England and Wales and the Scottish Law Commission published a Joint Consultation Paper (LCCP No. 166/SLCDP 119) on proposals to rationalise the Unfair Contract Terms Act 1977 and the 1999 Regulations into a single piece of legislation and a final report, together with a draft bill on unfair terms, was published in February 2005. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that: (i) a consumer may also challenge a negotiated term in an agreement on the basis that it is "unfair" and "unreasonable" within the legislation and therefore not binding on the consumer, and (ii) in any challenge by a consumer (but not by the OFT or a qualifying body) of a standard term or a negotiated term, the burden of proof lies on the business to show that the term is fair and reasonable.

No assurance can be given that changes in the 1999 Regulations, if enacted or changes to guidance on interest variations terms, if adopted will not have an adverse effect on the Loans, the Sellers, the LLP, the Issuer and/or the Servicers and their respective businesses and operations.

Unfair Commercial Practices Directive 2005

In May 2005, the European Parliament and the Council adopted a directive on unfair business-to-consumer commercial practices (the **Unfair Practices Directive**). Generally, this directive applies full harmonisation, which means that Member States may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, this directive permits Member States to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is "unfair" within the directive. This directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defence or right of set-off to an individual consumer.

The Unfair Practices Directive requires Member States to implement the directive by measures coming into force by 12 December 2007. The United Kingdom has implemented the directive by the Consumer Protection from Unfair Trading Regulations 2008, which came into force on 26 May 2008. In addition, the FSA has taken the directive into account in reviewing its relevant rules, such as MCOB, and the OFT addresses commercial practices in administering licences under the CCA. The Unfair Practices Directive

provides a transitional period until 12 June 2013 for applying full harmonisation in the fields to which it applies.

No assurance can be given that the United Kingdom implementation of the Unfair Practices Directive, including full harmonisation in the fields to which it applies, will not have a material adverse effect on the Loans and accordingly on the ability of the Issuer to make payments to the Covered Bondholders.

General

No assurance can be given that additional regulations or guidance from the FSA, the Ombudsman, the OFT or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Loans, the Seller, the LLP, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the ability of the LLP to dispose of the Portfolio or any part thereof in a timely manner and/or the realisable value of the Portfolio or any part thereof and accordingly affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee when due.

Implementation of Basel II risk-weighted asset framework may result in changes to the risk-weighting of the Covered Bonds

Following the issue of proposals from the Basel Committee on Banking Supervision for reform of the 1988 Capital Accord, a framework has been developed by the Basel Committee on Banking Supervision which places enhanced emphasis on market discipline and sensitivity to risk. A comprehensive version of the text of the framework was published in June 2006 under the title "International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version)" (the **Framework**). The Framework has been implemented in stages (partly from year-end 2006 and the most advanced from year-end 2007). The Framework is not self-implementing and, accordingly, implementation dates in participating countries are dependant on the relevant national implementation process in those countries.

As and when implemented in any particular jurisdiction, the Framework (and any relevant implementing measures) may affect the risk-weighting of the Covered Bonds for investors who are subject to capital adequacy requirements that follow the Framework. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the application of the Framework and any relevant implementing measures. No predictions can be made as to the precise effects of the Framework (including as it and/or any relevant implementing measures may be amended from time to time) on any investor or otherwise.

Covered Bonds where denominations involve integral multiples: definitive Covered Bonds

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

Limited Liability Partnerships

The LLP is a limited liability partnership. Limited liability partnerships, created by statute pursuant to the LLPA 2000, are bodies corporate for general English law purposes and have unlimited capacity. A general description of limited liability partnerships is set out below 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 the Covered Bondholders.

Pensions Act 2004

Under the Pensions Act 2004, a person that is 'connected with' or an 'associate' of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. RBS is an employer under an occupational scheme and also a member of the LLP. On this basis, the LLP is likely to be treated as 'connected to' RBS. A contribution notice could be served on the LLP if it was party to an act, or a deliberate failure to act, the main purpose or one of the main purposes of which was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under Section 75 of the Pensions Act 1995 or (ii) otherwise than in good faith, to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due.

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

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

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. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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, interest Coupons and/or Talons attached. Bearer Covered Bonds will be issued outside the United States in reliance on Regulation S and Registered Covered Bonds will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States or to, or for the benefit of U.S. persons are described in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will be initially issued in the form of a temporary global covered bond without 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 intended to be issued in new global covered bond (**NGCB**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and
- (b) if the Bearer Global Covered Bonds are not intended to be issued in NGCB form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream Luxembourg.

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

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

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

The applicable Final Terms will specify that a Permanent Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Covered Bonds with, where applicable, 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 permanently to cease business or have in fact done so and no successor clearing system is available; or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Covered Bonds represented by the Permanent Global Covered Bond in definitive form. The Issuer will promptly give notice to the Covered Bondholders of each Series of Bearer Global Covered Bonds in accordance with Condition 13 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

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

The following legend will appear on all Bearer Covered Bonds which have an original maturity of more than one year and on all receipts and interest coupons relating to such Bearer Covered Bonds:

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

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

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

Registered Covered Bonds

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

The Registered Covered Bonds of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions exempt from registration under the Securities Act: (i) to **qualified institutional buyers** within the meaning of Rule 144A under the Securities Act (**QIBs**); or (ii) to **accredited investors** (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are Institutional Accredited Investors who agree to purchase the Covered Bonds for their own account and not with a view to the distribution thereof in accordance with the Securities Act.

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

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

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

The Registered Covered Bonds of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Covered Bonds**). Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Covered Bonds will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Covered Bonds will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under *Subscription and Sale and Transfer and Selling Restrictions*. Institutional Accredited Investors that hold Definitive IAI Registered Covered Bonds may elect to hold such Covered Bonds through DTC, but transferees acquiring the Covered Bonds in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under *Subscription and Sale and Transfer and Selling Restrictions*. The Rule 144A Global Covered Bonds and the Definitive IAI Registered Covered Bonds will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

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

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

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that: (i) in the case of Covered Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act; (ii) in the case of Covered Bonds registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact

done so and no successor clearing system is available; or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Covered Bonds represented by the Registered Global Covered Bond in definitive form. The Issuer will promptly give notice to the Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Definitive Rule 144A Covered Bonds will be issued only in minimum denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency).

N Covered Bond

N Covered Bonds will be issued to each holder of N Covered Bonds.

Transfer of Interests

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

A transfer of N Covered Bonds is not effective until the transferee has delivered to the Registrar a duly executed copy of the N Covered Bond Agreement relating to such N Covered Bond along with a duly executed N Covered Bond Assignment Agreement.

General

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

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

No Covered Bondholder, 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.

FORM OF FINAL TERMS

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

[Date]

The Royal Bank of Scotland plc

Issue of [Regulated] [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] irrevocably and unconditionally guaranteed as to payment of principal and interest by RBS Covered Bonds Limited Liability Partnership under the €15 billion Global Covered Bond Programme

The Programme has been registered and notice of these Covered Bonds [has been/will be] made, under the Regulated Covered Bonds Regulations 2008 (SI 2008/346).

The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive 2003/71/EC (the **Prospectus Directive**) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of the Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in any other circumstances.

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the **Conditions**) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. Copies of the Prospectus [and the supplemental Prospectus] are available free of charge to the public at the registered office of the Issuer and from the specified office of the Principal Paying Agent.]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a prospectus with an earlier date.]

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the **Conditions**) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]]. This document constitutes the final terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the LLP and the offer of the Covered Bonds is only available on the basis of the combination of this Final Terms and the Prospectus dated [original date] and [current date] [and the supplemental Prospectus dated [date]]. Copies of such Prospectuses and the supplemental Prospectus are available free of charge to the public at the registered office of the Issuer and from the specified office of the Principal Paying Agents.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When adding any other final terms or information including final terms at items [10, 11, 17, 18, 19 or 32] of Part A or in relation to disclosure relating to the interests of natural and legal persons involved in the issue/offer in Part B consideration should be given as to whether such terms or information constitute "significant new facts" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | |
|----|---|---|
| 1. | (i) Issuer: | The Royal Bank of Scotland plc |
| | (ii) Guarantor: | RBS Covered Bonds Limited Liability Partnership |
| 2. | (i) Series Number: | [●]

<i>(If fungible with an existing Series details of that Series, including the date on which the Covered Bonds become fungible)</i> |
| | (ii) Tranche Number: | [●]

<i>(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible)</i> |
| 3. | Specified Currency or Currencies: | [●] |
| 4. | [Nominal Amount of Covered Bonds to be issued:] | [●] |
| 5. | Aggregate Nominal Amount of the Covered Bonds admitted to trading: | |
| | (i) [Series: | [●] |
| | (ii) [Tranche: | [●] |
| 6. | (i) [Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [<i>insert date</i>] if applicable] |
| | (ii) [Net proceeds (<i>Required only for listed issues</i>)] | [●] |
| 7. | (i) Specified Denominations: (<i>in the case of Registered Covered Bonds, this means the minimum integral amount in which transfers can be made</i>) ¹ | [●](<i>N.B. Where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed: €50,000 and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Covered Bonds in</i> |

¹ If Covered Bonds are offered or sold in the Netherlands with a denomination of less than euro 50,000 (or its foreign currency equivalent) then they may only be offered or sold as a block or package having an aggregate value of at least euro 50,000 (or its foreign currency equivalent) and a selling restriction to this effect should be included in the Final Terms or offered or sold to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) and a selling restriction to this effect should be included in the Final Terms.

definitive form will be issued with a denomination above [€99,000].)

(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 Prospectus Directive, the €50,000 minimum denomination is not required.)

(N.B. If any issue of Covered Bonds is of Definitive IAI Registered Bonds USD\$100,000 and integral multiples of US\$1,000 in excess thereof up to and including [US\$199,000]. No Covered Bonds in definitive form will be issued with a denomination above US\$99,000]

(ii) Calculation Amount: [●]

(If only one Specified Denomination, insert the Specified Denomination.

If more than one Specified Denomination, insert the highest common factor. Covered Bond: 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]]*

10. Interest Basis: [[●]% Fixed Rate]²

- [[LIBOR/EURIBOR] +/- [●]% Floating Rate]
[Zero Coupon]
- [Index Linked Interest]
[Dual Currency Interest]
[Credit Linked Interest]
[Equity Linked Interest]
[specify other]

² In the period from the Final Maturity Date to the Extended Due for Payment Date the Floating Rate provisions will apply.

(further particulars specified below)

11. Redemption/Payment Basis:

[Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[Hard Bullet Covered Bonds]
[specify other]

[If Hard Bullet specify applicable Issuer ratings for Pre-Maturity Test below.]

[Issuer ratings for purposes of the Pre-Maturity Test:
[P1 Moody's] [F1/F1+ Fitch]

[N.B. If the Final Redemption Amount is other than 100% of the nominal value, the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This pro-forma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.]

12. Change of Interest Basis or Redemption/Payment Basis:

[Specify details of any provision for change of Covered Bonds into another Interest Basis or Redemption/Payment Basis]

13. Put/Call Options:

[Investor Put]/[Issuer Call]/[Not Applicable]

[Further particulars specified below]

14. (i) Status of the Covered Bonds:

Senior

(ii) Status of the Guarantee:

Senior

(iii) [Date [Board] approval for issuance of Covered Bonds obtained:

[●] [and [●], respectively]]

(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Guarantee)]

15. Listing:

[London/specify other/None]

16. Method of distribution:

[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE³

17. Fixed Rate Covered Bond Provisions

[Applicable/Not Applicable]

(if not applicable, delete the remaining subparagraphs of this paragraph)

³

This section relates to interest payable under the Covered Bonds and corresponding amounts of Scheduled Interest payable under the Covered Bond Guarantee.

- (i) Fixed Rate(s) of Interest: [●]% per annum [payable [annually/semi-annually/quarterly] in arrear]⁴
(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): [●]
Additional Business Centre(s): [New York], [●]
- (v) Fixed Coupon Amount(s): [●] per [●] Calculation Amount
(Applicable to Covered Bonds in definitive form)
- (vi) Initial Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(Applicable to Covered Bonds in definitive form)
- (vii) Broken Amount: *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
- (viii) Day Count Fraction: [30/360 or Actual/Actual (ICMA/ISDA) or specify other]
- (ix) Determination Date(s): [●] in each year
[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)]
- (x) Other terms relating to the method of calculating interest for Fixed Rate [Not Applicable/Give details]

⁴ In the period from the Final Maturity Date to the Extended Due for Payment Date the Floating Rate provisions will apply.

Covered Bonds:

18. Floating Rate Covered Bond Provisions [Applicable/Not Applicable]⁵
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Date(s): [●] The first Interest Payment Date shall fall on [●]. (provided however that after the Extension Determination Date, the Specified Interest Payment Date shall be monthly)
- NB: Specify the Specified Period(s)/Specified Interest Payment Date(s) up to and including the Extended Due for Payment Date, if applicable*
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]
- (iii) Additional Business Centre(s): [New York], [●]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●]
- (vi) Screen Rate Determination:
- Reference Rate: [●]
- (Either LIBOR, EURIBOR or other, although additional information is required if other – including amendment to fallback provisions in the Agency Agreement)*
- Interest Determination Date(s): [●]
- (Second day on which commercial banks are open for general business (including dealings in foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- NB: Specify the Interest Determination Date(s) up to and including the Extended Due for Payment Date, if applicable*

⁵ In the period from the Final Maturity Date to the Extended Due for Payment Date the Floating Rate provisions will apply.

- 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)⁶
 - (vii) ISDA Determination:
 - Floating Rate Option:
 - Designated Maturity:
 - Reset Date:
 - (viii) Margin(s): +/- % per annum.
 - (ix) Minimum Rate of Interest: % per annum
 - (x) Maximum Rate of Interest: % per annum
 - (xi) Day Count Fraction:
 - Actual/Actual (ISDA)
 - Actual/365 (Fixed)
 - Actual/365 (Sterling)
 - Actual/360
 - 30/360
 - 30E/360
 - 30E/360 (ISDA)
 - [Other]

(See Condition 4 for alternatives)
 [adjusted/not adjusted]
 - (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in Condition of the Conditions:
19. Zero Coupon Covered Bond Provisions⁷ [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: % per annum
 - (ii) Reference Price:
 - (iii) Any other formula/basis of determining amount payable:

⁶ Select one of Reuters, Bloomberg or Telerate.

⁷ Zero Coupon Covered Bonds not to be issued with an Extended Due for Payment Date unless otherwise agreed with the Dealers and the Bond Trustee.

- (iv) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (v) Business Day(s): [●]
 Additional Business Centre(s): [New York], [●]
- (vi) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Condition 6(f) applies/specify other] (Consider applicable day count fraction if not U.S. dollar denominated)
20. Index Linked Interest Covered Bond⁸/other variable-linked interest Covered Bond Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
- (i) Index/Formula/Other variable: [give or annex details]
- (ii) Calculation Agent: [give name (and, if the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent) [●]
- (iv) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable [●]
- (v) Determination Date
- (vi) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
(Include a description of market disruption or settlement disruption events and adjustment provisions)
- (vii) Specified Period(s): [●]
- (viii) Specified Interest Payment Dates: [●] (provided however that after the Extension Determination Date, the Specified Interest Payment

⁸ No Index Linked Covered Bonds will be issued except following an amendment of the Programme by way of supplementary prospectus.

Date shall be monthly)

- (ix) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (x) Additional Business Centre(s): [New York], [●]
- (xi) Minimum Rate of Interest: [●]% per annum
- (xii) Maximum Rate of Interest: [●]% per annum
- (xiii) Day Count Fraction: [●]
- (xiv) [Market Disruption and Settlement Disruption Events: [●]]
- (xv) [Adjustment rules: [●]]

21. Dual Currency Covered Bond Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: (*Include a description of market disruption or settlement disruption events and adjustment provisions*)
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]
- (v) Business Day(s): [●]
Additional Business [New York], [●] Centre(●)

PROVISIONS RELATING TO REDEMPTION BY THE ISSUER

22. Issuer Call: [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

(i) Optional Redemption Date(s): [●]

NB: Optional Redemption Dates must be Interest Payment Dates unless otherwise agreed with the Dealers and the Bond Trustee

(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [●] per Calculation Amount/specify other/see Appendix]

(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)

23. [Investor Put Option: [Applicable/Not Applicable (if not applicable delete the remaining sub paragraphs of this paragraph)]

(i) Optional Redemption Date(s) [●]

(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amounts: [●] per Calculation Amount

(iii) Conditions to exercise [●]

(iv) Notice Period [●]

24. Final Redemption Amount: [Nominal Amount/[●] per Calculation Amount/specify other/see Appendix]

[N.B. If the Final Redemption Amount is other than 100% of the nominal value, the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.]

In cases where the Final Redemption Amount is Index-Linked or other [give or annex details]

variable-linked:

- (i) Index/Formula/Variable:
- (ii) Party responsible for calculating the Final Redemption Amount (if not the [Agent]):
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (iv) Determination Date(s):
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (vi) Minimum Final Redemption Amount:
- (vii) Maximum Final Redemption Amount:

25. Early Redemption Amount 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)) per Calculation Amount/specify other/see Appendix

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

26. New Global Covered Bond: [Yes][No]

27. 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]

[The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in paragraph 7 include language substantially to the following effect: "€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Covered Bonds which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Covered Bonds.]]

[Registered Covered Bonds:

Regulation S Global Covered Bond (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg]/Rule 144A Global Covered Bond (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg]]

28. 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 17(iii) and 19(vi) relate)
29. 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*]
30. Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment: [Not Applicable/give details. *N.B. a new form of Temporary Global Covered Bond and/or Permanent Global Covered Bond may be required for Partly Paid issues*]
31. Details relating to Instalment Covered Bonds:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
32. Redenomination: [Not applicable/The provisions in Condition 5(h) apply]

33. Other terms or special conditions: [Not Applicable/give details]
- (When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

DISTRIBUTION

34. (i) If syndicated, names of Managers: [Not Applicable/give names]
- [If the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on the firm commitment basis and names of entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.]*
- (ii) Date of Subscription Agreement: [●]
- (The above is only relevant if the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)*
- (iii) Stabilising Manager (if any): [Not Applicable/give name [and address]]
35. If non-syndicated, name of relevant Dealer(s): [●]
36. U.S. selling restrictions: [Reg S Compliance Category, TEFRA D/TEFRA C/TEFRA rules not applicable]
37. Additional selling restrictions: (insert here any other relevant codes such as CUSIP and CINS codes) [Not Applicable/give details]

LISTING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Covered Bonds described herein pursuant to the €15 billion Global Covered Bond Programme of The Royal Bank of Scotland plc on the regulated market of the London Stock Exchange.

RESPONSIBILITY

The Issuer and the LLP accept responsibility for the information contained in these Final Terms. [(Relevant third party information) has been extracted from (specify source). Each of the Issuer and the LLP confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Admission to Trading [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on *[specify relevant regulated market (for example the regulated market of the London Stock Exchange) and, if relevant, admission to an official list (for example, the Official List of the UK Listing Authority)]* with effect from [●].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on *[specify relevant regulated market, for example the regulated market of the London Stock Exchange) and, if relevant, admission to an official list (for example, the Official List of the UK Listing Authority)]* with effect from [●].]
- [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: *[to be disclosed in final terms]*

2. RATINGS

- (i) Ratings: The Covered Bonds to be issued have been rated:
- [Moody's: [●]]
[Fitch: [●]]
[Other]: [●]
- (The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.) N.B. Notify the relevant Rating Agencies in relation to Covered Bonds which may have a Final Redemption Amount of less than 100% of the nominal value.*

3. [NOTIFICATION

The *[include name of competent authority in EEA home Member State] [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States]* with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

[Save as discussed in "*Subscription and Sale and Transfer and Selling Restrictions*", so far as the Issuer and the LLP are aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. – *Amend as appropriate if there are other interests*]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES:

- (i) [Reasons for the offer:
- (ii) [Estimated net proceeds:
- (iii) [Estimated total expense:

(Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

6. YIELD (*Fixed Rate Covered Bonds only*)

Indication of yield:

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

7. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING: (*Index-Linked or other variable-linked Covered Bonds only*)

[Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index, include the name of the index and if the index is composed by the Issuer, include a description of the index. If the index is not composed by the Issuer, include details of where the information about the index can be obtained. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.] [When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

8. PERFORMANCE OF RATE[S] OF EXCHANGE: (*Dual Currency Covered Bonds only*)

[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.] [When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a

supplement to the Prospectus under Article 16 of the Prospectus Directive.] (N.B. This paragraph 8 only applies if the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

9. OPERATIONAL INFORMATION

- (i) ISIN Code:
- (ii) Common Code:
- (iii) *[(insert here any other relevant codes such as CUSIP AND CINS codes)]*
- (iv) [Any clearing system(s) other than DTC, Euroclear or Clearstream, Luxembourg and the relevant identification number(s):] [Not Applicable/give name(s) and number(s)]
- (v) Delivery: Delivery [against/free of] payment
- (vi) Names and addresses of additional Paying Agent(s) (if any):
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

[Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria[. *include this text if "yes" selected in which case the Covered Bonds must be issued in NGCB form*]

Signed on behalf of the Issuer:

Signed on behalf of the LLP:

By:

By:

Duly authorised

Duly authorised

PRO FORMA N COVERED BOND, N COVERED BOND CONDITIONS, N COVERED BOND ASSIGNMENT AGREEMENT AND N COVERED BOND AGREEMENT

The following is the Form of N Covered Bond (with the N Covered Bond Conditions attached as Schedule 1 and the Form of N Covered Bond Assignment Agreement attached as Schedule 2) and the Form of N Covered Bond Agreement. For each issue an N Covered Bond and an N Covered Bond Agreement relating to such N Covered Bond shall be prepared and executed substantially in the forms reproduced below:

N COVERED BOND

(NAMENSSCHULDVERSCHREIBUNG)

THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

THE ROYAL BANK OF SCOTLAND PLC

SERIES [●] N COVERED BOND (NAMENSSCHULDVERSCHREIBUNG)

[insert currency and principal amount]

Issue date: *[insert date]*

Final Maturity Date: *[insert date]*

[Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee: *[specify date after the Final Maturity Date or for Floating Rate N Covered Bonds the Interest Payment Date falling in or nearest to the relevant month and year]*

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

RBS COVERED BONDS LIMITED LIABILITY PARTNERSHIP

(a limited liability partnership incorporated under the Laws of England and Wales)

This certificate evidences the Series [●] N Covered Bond (*Namensschuldverschreibung*) (the "**N Covered Bond**") of The Royal Bank of Scotland plc (the "**Issuer**") described, and having the provisions specified, in the N Covered Bond Conditions attached as Schedule 1 hereto (the "**N Covered Bond Conditions**"). Words and expressions defined or set out in the N Covered Bond Conditions shall have the same meaning when used in this certificate.

The Issuer shall pay to the registered holder of this N Covered Bond the amounts payable in respect thereof pursuant to the N Covered Bond Conditions.

The Issuer hereby certifies that at the date hereof *[insert name and complete address]* has been entered in the Register as the holder of this N Covered Bond in the aforesaid principal amount.

This N Covered Bond shall not be valid unless authenticated by the Registrar.

IN WITNESS whereof the Issuer has caused this N Covered Bond to be duly executed on its behalf.

[insert issue date]

THE ROYAL BANK OF SCOTLAND PLC

SIGNED by [*insert name of individual*])
as an authorised signatory)
for **THE ROYAL BANK OF SCOTLAND PLC**)
in the presence of:)

Witness's Signature

Name:

Address:

.....

Authenticated without recourse,
Warranty or liability by
CITIBANK, N.A. as Registrar
By:

SCHEDULE 1

N COVERED BOND CONDITIONS

1. Currency and Principal Amount, Form, Transfer and other

- 1.1 *Currency and Principal Amount.* This N Covered Bond (*gedeckte Namensschuldverschreibung*) is issued by The Royal Bank of Scotland PLC (the **Issuer**) in [*insert specified currency*] (the **Specified Currency**) in the principal amount of [*insert principal amount*] (the **Principal Amount**) on [*insert issue date*] (the **Issue Date**). [This N Covered Bond is issued at a price of [●] per cent. of the Principal Amount (the **Issue Price**).]
- 1.2 *Form.* This N Covered Bond is represented by a certificate (the **Certificate**) which bears the manual, facsimile or scanned signature of one duly authorised signatory of the Issuer and is manually authenticated by or on behalf of the Registrar.
- 1.3 *Transfer.*
- (i) The rights of the N Covered Bondholder arising from this N Covered Bond and title to the Certificate may be transferred in whole or in part by assignment of the relevant rights under this N Covered Bond by the then current N Covered Bondholder to the new N Covered Bondholder and the surrender of the Certificate, together with the duly completed and executed form of assignment agreement attached as **Schedule 2** to the Certificate (the **Assignment Agreement**) at the specified office of the Registrar and the entry of the new N Covered Bondholder in the Register by the Registrar, **provided that no such transfer shall be effective until the transferee has delivered to the Registrar a duly executed N Covered Bond Agreement which is available from the Issuer or the Registrar upon request.** Any transfer of part only of this N Covered Bond is permitted only for a minimum principal amount of [*insert Specified Currency and such minimum principal amount*] or an integral multiple thereof. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer and the Registrar shall deem and treat the registered holder of this N Covered Bond as the sole holder of the rights arising from this N Covered Bond and owner of the certificate.
 - (ii) In case of a transfer of this N Covered Bond in whole and provided the requirements specified above have been met, a new certificate will be issued and delivered to the transferee. In case of a transfer of a part only of this N Covered Bond and provided the requirements specified above have been met, new certificates in respect of the balance transferred and the balance not transferred will be issued and delivered to the transferor and to the transferee respectively.
 - (iii) Each new certificate to be issued upon the registration of the transfer of this N Covered Bond (in whole or in part) will, within three business days (being, for this purpose, a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) following the submission of the Certificate and the Assignment Agreement (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be available for collection at the specified office of the Registrar or (at the request and risk of the new N Covered Bondholder) be sent by uninsured mail to such address as may be specified in the Assignment Agreement .
 - (iv) The N Covered Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require from the holders

of the N Covered Bonds the payment of a sum sufficient to enable it to pay or satisfy any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

- (v) The N Covered Bondholder shall not require the transfer of this N Covered Bond to be registered during a period of [15] days ending on any due date for any payment of principal or interest in respect of this N Covered Bond. Any registration of transfer required during such period shall be deemed to have been required on the business day (as referred to in (c) above) immediately following the last day of such period. The N Covered Bondholder shall not require the transfer of this N Covered Bond to be registered after such N Covered Bond has been called for redemption.

[1.4] Other terms: [*specify as applicable*.]

[1.5] In these N Covered Bond Conditions:

N Covered Bondholder means the registered holder of this N Covered Bond.

Register means the register maintained by the Registrar in relation to N Covered Bonds issued under the Programme.

Covered Bond Swap Rate means [*specify the rate*].

Where the context requires and unless the context requires otherwise, any reference in these N Covered Bond Conditions to **N Covered Bond** or **this N Covered Bond** is a reference or includes a reference to any N Covered Bond resulting from a transfer of this N Covered Bond, and/or any certificate issued in relation to this N Covered Bond and/or any new certificate issued upon any transfer of this N Covered Bond or part thereof.

2. Status

- 2.1 This N Covered Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Issuer and ranks, *pari passu* without any preference or priority with other Covered Bonds issued under the Programme (as defined below) and (subject to any applicable statutory provisions) *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer.
- 2.2 This N Covered Bond is issued under and, subject to the conclusion of an N Covered Bond Agreement by the N Covered Bondholder, forms part of the Issuer's €[15] billion global Covered Bond Programme (the **Programme**) under which the liabilities of the Issuer as to the payments of interest and principal are unconditionally and irrevocably guaranteed by RBS Covered Bonds Limited Liability Partnership (the **LLP**) in favour of Citicorp Trustee Company Limited (the **Bond Trustee**) for the benefit of the bondholders under the Programme in the circumstances further described in the Trust Deed dated [●] 2010 (as amended, modified, superseded or replaced from time to time, the **Trust Deed**).

3. Interest

[In the case of a Fixed Rate N Covered Bond with a fixed Interest Period insert the following or other applicable provisions:

- 3.1 This Fixed Rate N Covered Bond bears interest on its Principal Amount Outstanding from (and including) [*insert issue date or other date as required*] (the **Interest Commencement Date**) to but excluding the first Interest Payment Date and during each successive period from and including an Interest Payment Date to but excluding the following Interest Payment Date up to (and including) the Final Maturity Date (as defined in condition 4.1 of these N Covered Bond Conditions).

[If Rate of Interest is applicable, insert: This Fixed Rate N Covered Bond bears interest at the rate(s) per annum equal to *[Insert Rate(s) of Interest]* (the **Rate(s) of Interest**) payable in arrear on *[insert Interest Payment Date(s)]* in each year (each such date an **Interest Payment Date(s)**). The first payment of interest shall be made on *[insert first Interest Payment Date].]*

[If Fixed Coupon Amount is applicable insert: The amount of interest payable on *[insert Interest Payment Date(s)]* in each year (each such date, an **Interest Payment Date**) will amount to *[insert the Fixed Coupon Amount]* (the **Fixed Coupon Amount**).] The first payment of interest shall be made on *[insert first Interest Payment Date].]*

[If first Interest Payment Date is not first anniversary of Interest Commencement Date insert: The first payment of interest will amount to *[insert initial broken interest amount]* on its Principal Amount Outstanding.] *[If the Maturity Date is not an Interest Payment Date insert:* Interest in respect of the period from and including *[insert Interest Payment Date preceding the Maturity Date]* to but excluding the Maturity Date (as defined in condition 4.1 of these N Covered Bond Conditions) will amount to *[insert final Broken Interest Amount]* on its Principal Amount Outstanding.]

- 3.2 As used in these N Covered Bond Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.
- 3.3 If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding, multiplying such sum by the day count fraction (the **Day Count Fraction**), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Day Count Fraction means, in respect of the calculation of an amount of interest:

[if **Actual/Actual (ICMA)** applies, insert:

- (A) in the case where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year; or
- (B) in the case where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
- I. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - II. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;]

[if 30/360 applies, insert:

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

[*Specify other*]

In these N Covered Bond Conditions:

[Determination Date means [*specify Determination Dates*];]

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

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

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

[In the case of a Floating Rate N Covered Bond or an Index Linked Interest N Covered Bond insert the following or other applicable provisions:

3.1 *Interest Payment Dates*

This [Floating Rate N Covered Bond][Index Linked Interest N Covered Bond] bears interest on its Principal Amount Outstanding from (and including) [*insert interest commencement date*] (the **Interest Commencement Date**) to but excluding the next following Interest Payment Date (each such period an **Interest Period**). Interest on this N Covered Bond shall be payable in arrear on each Interest Payment Date.

Interest Payment Date means [*in the case of Specified Interest Payment Date(s) insert:*] [*Specified Interest Payment Dates*] in each year [as the same may be adjusted in accordance with the Business Day Convention]] / [*if no Specified Interest Payment Dates, insert:* each date which falls [*insert number*] [*insert months/other period*] after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date [in each case as the same may be adjusted by the Business Day Convention.] [such period being the **Specified Period.**]

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

[the **Following Business Day Convention**, which means that such date shall be postponed to the next day that is a Business Day.]

[the **Modified Following Business Day Convention**, which means that such date shall be postponed to the next day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day.]

[the **Preceding Business Day Convention**, which means that such date shall be brought forward to the immediately preceding day that is a Business Day.]

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

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

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and [Frankfurt]; and
- (ii) in the case of any sum payable, either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and [Frankfurt]) and which if the Specific 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 day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (the **TARGET2 System**) is open.]

3.2 *Rate of Interest*

The Rate of Interest payable from time to time will be determined in the following manner [*Insert as applicable*]:

[If ISDA Determination for Floating Rate Covered Bonds is the manner in which the Rate of Interest is to be determined, insert:

The Rate of Interest for each Interest Period will be the relevant ISDA Rate [plus]/[minus] [●] per cent. per annum (the **Margin**).

ISDA Rate for an Interest Period means a rate equal to the Floating Rate that would be determined by the [*Principal Paying Agent or other person*] under an interest rate swap transaction if the [*Principal Paying Agent or that other person*] were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the **ISDA Definitions**) and under which:

- (i) the Floating Rate Option is [●];
- (ii) the Designated Maturity is [*Specify Period*]; and
- (iii) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or the Euro-zone inter-bank offered rate (**EURIBOR**) for a currency, the first day of that Interest Period, or (ii) [*Insert Date*].

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

[If Screen Rate Determination for Floating Rate Covered Bonds is the manner in which the Rate of Interest is to be determined, insert:

The Rate of Interest for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation (if there is only one quotation on the [***Insert Relevant Screen Rate***] (the **Relevant Screen Page**)); or
- (ii) if there is more than one quotation on the Relevant Screen Page, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for [***Insert Reference Rate***] the **Reference Rate** which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the [***Insert Interest Determination Date***] the **Interest Determination Date** [[plus]/[minus] [●] per cent. per annum (the **Margin**)], all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is not LIBOR or EURIBOR, the Rate of Interest in respect of such N Covered Bonds will be [●]]

3.3 *Determination of Rate of Interest and calculation of Interest Amounts*

The [***in the case of Floating Rate N Covered Bonds insert:*** Principal Paying Agent [***in the case of Index Linked Interest N Covered Bonds insert:*** Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. [***In the case of Index Linked Interest N Covered Bonds insert*** the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.]

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

In respect of the calculation of an amount of interest for any Interest Period the "**Day Count Fraction**" shall be:

[**Actual/Actual** or **Actual/Actual (ISDA)** which means the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366

and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);]

[**Actual/365 (Fixed)** which means the actual number of days in the Interest Period divided by 365;]

[**Actual/365 (Sterling)** which means the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;]

[**Actual/360** which means the actual number of days in the Interest Period divided by 360;]

[**30/360, 360/360 or Bond Basis** which means the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

[**30E/360 or Eurobond Basis** which means the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

[**30E/360 (ISDA)**] which means the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

3.4 *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent [or Calculation Agent (as the case may be)] will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Registrar, the Bond Trustee, the Issuer and the N Covered Bondholder in accordance with Condition 9 (*Notices*) of these N Covered Bond Conditions as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 3.1 (*Interest Payment Dates*) of these N Covered Bond Conditions) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Issuer, the Registrar, the Bond Trustee and the N Covered Bondholder in accordance with Condition 9 (*Notices*) of these N Covered Bond Conditions.

3.5 *Determination or Calculation by the Bond Trustee*

If for any reason at any relevant time after the Issue Date, the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with Condition [3.4] of these N Covered Bond Conditions above or as otherwise specified herein, as the case may be, and in each case in accordance with Condition 3.4 above, the Bond Trustee may determine (or appoint an agent to determine) the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, [but subject always to any Minimum Rate of Interest or Maximum Rate of Interest of [*Specify Maximum and Minimum Rates of Interest*]]) it shall deem fair and reasonable in all the circumstances or, as the case may be, the Bond Trustee may calculate (or appoint an agent to

calculate) the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent.

3.6 *Certificates to be final.*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 (*Interest*) of these N Covered Bond Conditions, whether by the Principal Paying Agent or the Bond Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the LLP, the Principal Paying Agent, the other Paying Agents, the Bond Trustee and the N Covered Bondholders.]

3.7 *Accrual of Interest after the due date*

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

[3.●] *[In case of Dual Currency Interest N Covered]*

[Insert applicable interest provisions.]

4. **Redemption**

4.1 *Final Redemption*

Unless previously redeemed in full, or purchased and cancelled, this N Covered Bond will be redeemed by the Issuer at its Final Redemption Amount in the Specified Currency on [specified Final Maturity Date]/[the Interest Payment Date falling in [●]] (the **Final Maturity Date**).

4.2 *Redemption for Taxation Reasons.*

This N Covered Bond may be redeemed at the option of the Issuer in whole, but not in part, , **[for Fixed Interest Covered Bonds insert: at any time] [for Floating Rate N Covered Bonds, Index Linked Interest Covered Bonds or Dual Currency Interest Covered Bonds insert: , on any Interest Payment Date giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 9 of these N Covered Bond Conditions, the N Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that on the occasion of the next Interest Payment Date, the Issuer is or will be required to pay additional amounts as provided in Condition 6 (Taxation) of these N Covered Bond Conditions. If this N Covered Bond is redeemed pursuant to this Condition 4.2 (Redemption for Taxation Reasons) of the N Covered Bond Conditions it will be redeemed at its Final Redemption Amount (referred to in Condition 4.9 (Further Provisions applicable to Final Redemption Amount) together (if appropriate) with interest accrued to (but excluding) the date of redemption.**

[4.3 *Redemption at the option of the Issuer (Issuer Call).*

The Issuer may, having given not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and the N Covered Bondholder in accordance with Condition 9 (*Notices*) of these N Covered Bond Conditions, (which Notice shall be irrevocable and shall specify the date fixed for redemption [and subject to **specify conditions**]), redeem all [but not part only]/[or part only] of this N Covered Bond on [**insert dates**] (each, an **Optional Redemption**

Date) at [*specify amount per Calculation Amount*] (the **Optional Redemption Amount[s]**) together with accrued interest (if any) thereon on the date specified in such notice.]

[4.4] *Redemption at the option of the N Covered Bondholders (Investor Put).*

Upon the N Covered Bondholder giving the Issuer not less than 30 nor more than 60 days' written notice the Issuer will, upon the expiry of such notice, redeem[, subject to, and in accordance with, *specify conditions,*] such N Covered Bond on [*insert dates*] (each, an **Optional Redemption Date**) and at [*specify amount per Calculation Amount*] (the **Optional Redemption Amount[s]**) together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.]

[4.5] *Partial Redemption.*

If this N Covered Bond is to be redeemed in part only on any date in accordance with Condition 4.[3] (*Redemption at the option of the Issuer*) of these N Covered Bond Conditions, such redemption must be for an amount not less than [●] per Calculation Amount (the **Minimum Redemption Amount**) or not more than [●] per Calculation Amount (the **Maximum Redemption Amount**).

In the case of the redemption of part only of this N Covered Bond, a new N Covered Bond certificate in respect of the unredeemed balance shall be issued in accordance with Condition 1.3 of these N Covered Bond Conditions, which shall apply as in the case of a transfer of this N Covered Bond as if such new N Covered Bond were in respect of the untransferred balance.]

4.[●] *Purchase of N Covered Bond.*

- (a) The Issuer may at any time purchase this N Covered Bond in the open market or otherwise at any price.
- (b) Any subsidiaries of the Issuer or the LLP may at any time purchase this N Covered Bond in the open market or otherwise and at any price.

4.[●] *Cancellation of N Covered Bond upon Redemption or Purchase.*

If this N Covered Bond is redeemed in accordance with this Condition 4 of these N Covered Bond Conditions or purchased in accordance with Condition 4.[●](a) (*Purchase of N Covered Bond*) of these N Covered Bond Conditions, it will be cancelled forthwith and may not be reissued or resold. If this N Covered Bond is purchased in accordance with Condition 4.[●](b) (*Purchase of N Covered Bond*) of these N Covered Bond Conditions it may be cancelled or may be reissued or resold.

4.[●] [*Early Redemption Amounts*]

For the purposes of Condition 4.2 (*Redemption for taxation reasons*) of the N Covered Bond Conditions above[and Condition [4.10] (*Late payment on Zero Coupon Covered Bonds*) of the N Covered Bond Conditions below], each N Covered Bond will be redeemed at its Early Redemption Amount which shall be:

[*Specify Final Redemption Amount*]

[*In the case of a Covered Bond (other than a Zero Coupon Covered Bond but including an Instalment Covered Bond)*] at its nominal amount

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

- (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 N Covered Bond to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such N Covered Bond becomes due and repayable

[*specify other amount*]]

Where such calculation is to be made for a period which is not a whole number of years, it shall be made

[*In the case of a Zero Coupon N Covered Bond payable in a Specified Currency other than euro*] on the basis of a 360-day year consisting of 12 months of 30 days each OR

[*In the case of a Zero Coupon Covered Bond payable in euro*] on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non leap year divided by 365)

[*Specify other calculation basis*]

[For the purposes of this Condition 4.[●] **Reference Price** means [●]: and **Accrual Yield** means [●]]

[4.●] [*Late payment on Zero Coupon N Covered Bonds*]

If the amount payable in respect of this Zero Coupon N Covered Bond upon redemption pursuant to Condition 4.1 (*Final Redemption*) of the N Covered Bond Conditions, 4.2 (*Redemption for taxation reasons*) of the N Covered Bond Conditions or 4.3 (*Redemption at the option of the Issuer (Issuer Call)*) of the N Covered Bond Conditions above as applied to this Zero Coupon N Covered Bond is improperly withheld or refused or default is otherwise made in the payment thereof, the amount due and repayable in respect of this Zero Coupon N Covered Bond shall be the amount calculated as provided in Condition 4.9 (*Final Redemption Amounts*) of the N Covered Bond Conditions above as though the references therein to the date fixed for the redemption or the date upon which this Zero Coupon N 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 this Zero Coupon N Covered Bond have been paid; and
- (ii) the date on which the full amount of the monies payable in respect of this Zero Coupon Covered Bond has been received by the Principal Paying Agent or the Bond Trustee or the Registrar and notice to that effect has been given to the N Covered Bond Holders either in accordance with Condition 9 (Notices) of the N Covered Bond Conditions or individually.]

[4.●] [*In the case of Instalment N Covered Bonds:*]

This N Covered Bond will be redeemed in the amounts of [*specify*] (each an "**Instalment Amount**") on [*specify dates*] (each an "**Instalment Date**").]

[4.●] [*Other Redemption and Purchase Provisions*]

[*Specify other relevant provisions, if applicable.*]

5. Payments

5.1 General

Subject as provided below, payments will be made by credit or electronic transfer [*if the Specified Currency is euro, insert:* to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque][*if the Specified Currency is other than euro, insert:* to an account in the Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland respectively)].

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 6 (*Taxation*) of these N Covered Bond Conditions. References to [*Insert Specified Currency*] will include any successor currency under applicable law.]

5.2 Repayments in respect of Principal

Repayment of principal (other than instalments of principal prior to the final instalment) in respect of this N Covered Bond will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of this N Covered Bond at the specified office of the Registrar or its nominee. Any such presentation must be made by the N Covered Bondholder at the specified office of the Registrar or its nominee two business days (being for this purpose a day on which banks are open for business in the city where the specified offices of the Registrar and its nominee are located) before the relevant due date. Such repayments will be made on the due date by electronic transfer to the Designated Account (as defined below) of the N Covered Bondholder appearing in the register at the close of business on the [third] Business Day (being for this purpose a day on which banks are open for business in the city where the specified offices of the Registrar or its nominee are located) before the relevant due date. Notwithstanding the previous sentence, if [(i)] a holder does not have a Designated Account [or (ii) the Principal Amount Outstanding of this N Covered Bond is less than U.S.\$250,000, [or its approximate equivalent in any other Specified Currency] payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below).

For these purposes, **Designated Account** means the account maintained by a the N Covered Bondholder with a Designated Bank and identified as such in the Register and **Designated Bank** means [*if the Specified Currency is euro, insert:* any bank which processes payments in euro][*if the Specified Currency is other than euro, insert:* a bank in the principal financial centre of the country of such Specified Currency.

The Registrar has appointed Citigroup Global Markets Deutschland AG & Co. KGaA at its specified office set out in Condition 8 of these N Covered Bond Conditions as its nominee for the purposes of accepting presentation and surrender (or endorsement) of this N Covered Bond for the purposes of this Condition 5.2 of these N Covered Bond Conditions.

5.3 Payments of Interest

Payments of interest and repayments of instalments of principal (other than the final instalment) will be made by the Principal Paying Agent by electronic transfer on the due date in the manner provided in the preceding paragraph. The N Covered Bondholder shall provide their payment account details to the Principal Paying Agent in order to facilitate such payment. Payment of the interest due in respect of this N Covered Bond on redemption and the final instalment of principal will be made in the same manner as payment of the principal in respect of this N Covered Bond. [*or*]

Upon application of the N Covered Bondholder payments of interest and repayments of instalments of principal (other than the final instalment) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed (on a Business Day in the city where the specified office of the Registrar is located) by uninsured mail to the N Covered Bondholder appearing in the Register at the close of business on the [fifteenth] day (whether or not such [fifteenth] day is a Business Day) before the relevant due date (the **Record Date**) at the N Covered Bondholder's address shown in the Register on the Record Date and at the holder's risk.

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

5.4 *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 6 (*Taxation*) of these N Covered Bond Conditions or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the N Covered Bond;
- (iii) the Optional Redemption Amount(s) (if any) of the N Covered Bond;
- (iv) [in relation to N Covered Bonds redeemable in instalments, the Instalment Amounts;]
- (v) [in relation to Zero Coupon N Covered Bonds, the Amortised Face Amount (as defined in Condition 4.8 (*Final Redemption Amounts*)) of the N Covered Bond Conditions;]
- (vi) any premium and any other amounts (other than interest) which may be payable under or in respect of the N Covered Bonds;
- (vii) [in relation to Dual Currency N Covered Bonds, the principal payable in any relevant Specified Currency;] and
- (viii) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the N Covered Bonds.

Excess Proceeds means monies received by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration, bank administrator, bank liquidator or other similar official appointed in relation to the Issuer;

Any reference in these N Covered Bond Conditions to interest in respect of the N Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6 (*Taxation*) of these N Covered Bond Conditions.

5.5 *Payment Day:*

If the date for payment of any amount in respect of the N Covered Bond is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition 5.5 (unless otherwise specified in the applicable N Covered Bond

Agreement), **Payment Day** means any day which (subject to Condition 7 (*Prescription and Counterclaims*) of these N Covered Bond Conditions) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) London and [Frankfurt]; and
 - (C) any Additional Financial Centre specified in the applicable N Covered Bonds Agreement; and
- (ii) [*if the Specified Currency is euro, insert: a day on which the TARGET2 System is open.*][*if the Specified Currency is other than euro, insert: a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in [insert the principal financial centre of the country of the relevant Specified Currency] (if other than the place of presentation, London and any Additional Financial Centre).*]

6. Taxation

All amounts payable (whether in respect of principal, interest or otherwise) in respect of this N Covered Bond will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law or the interpretation or administration thereof. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it in respect of a tax imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or any authority or agency therein or thereof having power to tax, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the N Covered Bondholder, after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of this N Covered Bond in the absence of such withholding or deduction; except that no such additional amounts shall be payable by the Issuer with respect to any payment in respect of this N Covered Bond:

- (i) If it is presented for payment in the United Kingdom; or
- (ii) if the N Covered Bondholder is (i) able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant taxing authority but fails to do so; or (ii) liable for such taxes, duties, assessments or governmental charges in respect of this N Covered Bond by reason of his having some connection with the United Kingdom other than merely by reason of the holding of this N Covered Bond; or
- (iii) if it is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or
- (iv) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate; or

- (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (vi) if it is presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting this N Covered Bond to another Paying Agent in a Member State of the European Union.

As used herein:

Relevant Date means the date on which such payment in respect of this N Covered Bond first becomes due and payable, except that, if the full amount of the monies payable on such date has not been duly received by the Bond Trustee, 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 holder of this N Covered Bond in accordance with Condition 9 (*Notices*) of these N Covered Bond Conditions.

7. Prescription and Counterclaims

- 7.1 *Prescription.* The obligations of the Issuer to pay principal and interest in respect of this N Covered Bond shall be prescribed (i) in respect of principal upon the expiry of ten years following the respective due date for the payment of principal and (ii) in respect of interest upon the expiry of five years following the respective due date for the relevant payment of interest.
- 7.2 *Counterclaims.* As long as, and to the extent that, this N Covered Bond forms part of the restricted assets (*gebundenes Vermögen*) within the meaning of § 54 of the German Act Concerning the Supervision of Insurance Companies (*Gesetz über die Beaufsichtigung der Versicherungsunternehmen - Versicherungsaufsichtsgesetz*) of 17 December, 1992 (as amended) and the German Regulation Concerning the Investment of the Restricted Assets of Insurance Companies (*Verordnung über die Anlage des gebundenen Vermögens von Versicherungsunternehmen*) of 20 December, 2001 (as amended), the Issuer waives (also in the event of insolvency of the N Covered Bondholder or in the event that insolvency proceedings or similar proceedings are instituted against the N Covered Bondholder) any right of set-off as well as any right to exercise any pledges, rights of retention and other rights which could affect the rights under the N Covered Bond.

8. Principal Paying Agent, Paying Agents, Registrar [, Exchange Agent] and Transfer Agent

- 8.1 The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar (and its nominee for the purposes of Condition 5.2 of these N Covered Bond Conditions), the initial Transfer Agent, the initial Exchange Agent and their initial specified offices are set out below:

[insert details]

- 8.2 In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Principal Paying Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint 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.
- 8.3 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) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive if any; and
- (iii) the Issuer will ensure that it appoints a Paying Agent in a Member State of the European Union (other than the United Kingdom) in the event that it is required to withhold or deduct tax on payments made in the United Kingdom.

Notice of any variation, termination, appointment or change will be given by the Issuer to the N Covered Bond Holders as soon as reasonably practicable in accordance with Condition 9 (*Notices*) of these N Covered Bond Conditions.

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

9. Notices

Notices to the N Covered Bondholder may be given by first class mail (or equivalent) or, if posted to an overseas address, by air mail to it at its address as recorded in the Register. Notices will be deemed to have been validly given on the fourth day after the date of such mailing.[Notices to the N Covered Bondholder may also be given by email to the email address recorded in the Register.][If sent by email notices will be deemed to have been validly given [on the next Business Day following the dispatch of such email][●]].

10. Replacement of the Certificate

If the Certificate (as defined in Condition 1.2 of these N Covered Bond Conditions) is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the applicant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced certificate must be surrendered before a replacement certificate will be issued.

11. Governing Law, Place of Jurisdiction, Partial Invalidity

11.1 Governing Law.

This N Covered Bond and all rights and obligations arising under this N Covered Bond (including any non-contractual rights and obligations) shall be governed by and construed in accordance with the laws of the Federal Republic of Germany.

11.2 Place of Jurisdiction.

The courts of England and Wales shall have the exclusive jurisdiction for any dispute arising out of or in connection with this N Covered Bond and the Issuer and the N Covered Bondholder waive any right to invoke, and undertake not to invoke, any claim of *forum non conveniens* and irrevocably submit to the jurisdiction of the courts of England and Wales in respect of any action or proceeding relating in any way to this N Covered Bond.

11.3 *Partial Invalidity.*

If any provision of these N Covered Bond Conditions is or becomes invalid in whole or in part, the remaining provisions shall remain unaffected thereby. Invalid provisions shall be replaced by such valid provisions which taking into consideration the purpose and intent of these terms and conditions have to the extent legally possible the same economic effect as the invalid provisions. This shall apply mutatis mutandis to any gap in these N Covered Bond Conditions.

SCHEDULE 2

FORM OF N COVERED BOND ASSIGNMENT AGREEMENT

THIS N COVERED BOND ASSIGNMENT AGREEMENT (the **Agreement**) is made on [*insert date*] **BETWEEN:**

- (1) [*insert name and complete address of assignor*] (the **Assignor**); and
- (2) [*insert name and complete address of assignee*] (the **Assignee**);

together the **Parties** and each a **Party**.

WHEREAS:

- (A) The Assignor is holder of the [*insert currency and principal amount*] [*insert series*] N Covered Bond due [*insert maturity date*] (the **N Covered Bond**) issued by The Royal Bank of Scotland PLC (the **Issuer**).
- (B) Pursuant to an **N Covered Bond Agreement** the N Covered Bond forms part of the Issuer's €[15] billion global Covered Bond Programme (the **Programme**) under which the liabilities of the Issuer as to the payments of interest and principal are unconditionally and irrevocably guaranteed by RBS Covered Bond Limited Liability Partnership (the **LLP**) in favour of Citicorp Trustee Company Limited (the **Bond Trustee**) for the benefit of the bondholders under the Programme.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

Unless specified otherwise, capitalised terms used, but not defined in this Agreement shall have the meaning given to them in the **N Covered Bond Conditions** which are attached as Schedule 1 to the N Covered Bond.

2. ASSIGNMENT

- 2.1 The Assignor hereby assigns to the Assignee its [*insert in case of a partial transfer: partial*] claims against the Issuer under the N Covered Bond together with all rights relating thereto,

in the amount of: [*insert currency and amount transferred*]

(in words: [*insert amount transferred in words*]).

- 2.2 The Assignee hereby accepts such assignment.

3. NOTIFICATION AND EFFECTIVENESS OF THE ASSIGNMENT

- 3.1 In accordance with condition 1.3 (*Transfer*) of the N Covered Bond Conditions, the Assignor shall immediately notify Citibank, N.A., London Branch in its capacity as Registrar of the assignment

contemplated hereunder by sending an executed copy of this Agreement together with the N Covered Bond certificate made out in its name and evidencing the N Covered Bond to **[details of the Registrar's Frankfurt branch to be inserted]**.

3.2 The assignment shall only become effective upon registration thereof in the Register maintained by the Registrar. The Registrar will make appropriate entries in the Register if the requirements for a transfer of the N Covered Bond set out in condition 1.3 (*Transfer*) of the N Covered Bond Conditions have been met, in particular, **if the Assignee has delivered to the Registrar a duly executed N Covered Bond Agreement which relates to the N Covered Bond transferred hereunder**. The form of such N Covered Bond Agreement is available from the Issuer or the Registrar upon request.

4. DESIGNATED ACCOUNT OF THE ASSIGNEE

For the purposes of condition 5 (*Payments*) of the N Covered Bond Conditions the Designated Account of the Assignee shall be the bank account held by the Assignee with **[insert bank]** which has the following references: **[insert account details]**.

5. COPIES

5.1 This Agreement shall be executed in three original copies. One original copy shall be retained by the Assignor and Assignee respectively and one original copy shall be sent to the Registrar by the Assignor as further described in condition 1.3 (*Transfer*) of the N Covered Bond Conditions.

5.2 The Parties instruct and authorise the Registrar to forward copies of this Agreement to the Issuer, the LLP and the Bond Trustee.

6. PARTIAL INVALIDITY

If any provision of this Agreement or part thereof should be or become invalid or unenforceable, this shall not affect the validity or enforceability of the remaining provisions hereof. The invalid or unenforceable provision shall be replaced by such valid and enforceable provision which taking into consideration the purpose and intent of this Agreement has to the extent legally possible the same economic effect as the invalid or unenforceable provision. This shall apply mutatis mutandis to any gap (*Vertragslücke*) in this Agreement.

7. GOVERNING LAW; JURISDICTION

7.1 This Agreement shall be governed by and construed in accordance with German law.

7.2 Any non-contractual rights and obligations arising out of or in connection with this Agreement shall also be governed by German law.

7.3 The courts of England and Wales shall have the exclusive jurisdiction over any dispute arising out of or in connection with this Agreement.

Name: **[insert name of assignor]**

Name: **[insert name of assignee]**

Date:

Date:

By: _____

By: _____

FORM OF N COVERED BOND AGREEMENT

N COVERED BOND AGREEMENT

THIS N COVERED BOND AGREEMENT (the **Agreement**) is made on [●]

BETWEEN:

- (1) **THE ROYAL BANK OF SCOTLAND PLC**, incorporated under the laws of Scotland (registered number SC090312), whose registered office is at 36 St Andrew Square, Edinburgh, EH2 2YB (the **Issuer**);
- (2) **RBS COVERED BONDS LIMITED LIABILITY PARTNERSHIP**, a limited liability partnership incorporated under the laws of England and Wales (partnership number OC349504), whose registered office is at 1 Princes Street, London EC2R 8BP (the **LLP**);
- (3) **CITICORP TRUSTEE COMPANY LIMITED**, incorporated under the laws of England and Wales (registered number 00235914) whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the **Bond Trustee**); and
- (4) [●], a [●] incorporated under the laws of [●], whose registered office is at [●] (the **N Covered Bondholder**).

WHEREAS:

- (A) The Issuer has established a €15 billion global covered bond programme (the **Programme**) as further described in a prospectus dated [●] 2010, as supplemented from time to time pursuant to which the Issuer may from time to time issue Covered Bonds denominated in any currency as may be agreed by the Issuer, the relevant Dealer(s) and the Principal Paying Agent.
- (B) Citicorp Trustee Company Limited has agreed to act as the Bond Trustee for the benefit of the Covered Bondholders, the Receiptholders and the Couponholders under the Programme, upon and subject to the terms of a Trust Deed dated [●] 2010 and made between the Issuer, the LLP and the Bond Trustee (as amended and restated from time to time, the **Trust Deed**).
- (C) The LLP has agreed to guarantee interest and principal payments on all Covered Bonds (including, without limitation, the N Covered Bonds) issued under the Programme as more particularly set out in the Trust Deed and in the circumstances described therein.
- (D) Simultaneously with the execution of this Agreement, the Issuer issued the [*Insert Principal Amount*] N Covered Bond (the **N Covered Bond**) to which this Agreement relates and which forms Series [●] of Covered Bonds under the Programme and which will be held by the N Covered Bondholder.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 For the purposes of this Agreement, the following definitions shall apply:

[**Extended Due for Payment Date** means [●].]

Extension Determination Date means the date falling two London Business Days after the expiry of seven days starting on (and including) the Final Maturity Date.]

Final Maturity Date has the meaning given in the N Covered Bond Conditions relating hereto.

N Covered Bond has the meaning given to it in recital D above.

N Covered Bond Conditions means the terms and conditions of the N Covered Bond annexed as Schedule 1 to the N Covered Bond.

Programme Conditions means the terms and conditions set out in Schedule 1 of the Trust Deed as the same may from time to time be modified in accordance with the Trust Deed.

Rating Agency means any one of Moody's Investors Service Limited, Fitch Ratings Ltd. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (together the **Rating Agencies**) or their successors, to the extent they provide ratings in respect of the Covered Bonds.

- 1.2 The master definitions and construction agreement made between the parties to the Transaction Documents on [●] 2010 (as the same may be amended, varied and/or supplemented from time to time with the consent of the parties thereto) (the **Master Definitions and Construction Agreement**) and attached as Schedule 2 hereto for information purposes is expressly and specifically incorporated into this Agreement and, accordingly, the expressions defined in the Master Definitions and Construction Agreement shall, except where the context otherwise requires and save where otherwise defined (i) in the N Covered Bond Conditions, or (ii) herein, have the same meanings in this Agreement, including the recitals hereto and this Agreement shall be construed in accordance with the interpretation provisions set out in Clause 2 (Interpretation and Construction) of the Master Definitions and Construction Agreement.
- 1.3 In the event the Master Definitions and Construction Agreement is amended, varied and/or supplemented, the N Covered Bondholder will be notified and a copy of the agreement will be sent by the Issuer to the N Covered Bondholder.
- 1.4 The Series of N Covered Bonds relating to this N Covered Bond Agreement have been assigned a [Aaa/AAA] rating by [Moody's/Fitch] respectively.

2. N COVERED BOND AGREEMENT

The N Covered Bondholder hereby agrees with the Issuer, the LLP and the Bond Trustee with respect to the N Covered Bond that it shall take the benefit of and be bound by and subject to:

- (i) (as if it was a party thereto) the Trust Deed (excluding, except as specified herein, the Programme Conditions but including, without limitation and for the avoidance of doubt, the Covered Bond Guarantee granted pursuant to Clause 7 thereof, the provisions on Proceedings, Action and Indemnification pursuant to Clause 10 thereof, the provisions relating to Waivers, Authorisations and Determinations pursuant to Clause 20 thereof, the provisions relating to Modifications pursuant to Clause 21 thereof and the provisions in relation to Meetings of Covered Bondholders pursuant to Schedule 4 thereof), and the other Transaction Documents to the extent relevant to the N Covered Bond and this Agreement;
- (ii) the provisions of this Agreement; and
- (iii) Condition 9 (Events of Default and Enforcement), Condition 14 (Meeting of Covered Bondholders, Modification and Waiver), Condition 15 (Indemnification of the Bond Trustee and the Security Trustee and the Bond Trustee and Security Trustee Contracts with the

Issuer and/or the LLP), Condition 16 (Further Issues) and Condition 17 (Limited Recourse) of the Programme Conditions.

3. COVERED BOND GUARANTEE

3.1 General

Subject to and in accordance with the terms of the Trust Deed and Condition 9 (Events of Default and Enforcement) of the Programme Conditions, under the Covered Bond Guarantee the LLP shall, following service of an Issuer Acceleration Notice and Notice to Pay or, if applicable, an LLP Acceleration Notice, pay or procure to be paid the Guaranteed Amounts in respect of the N Covered Bond on their Original Due for Payment Dates [*insert if Extended due for Payment Date is applicable:*] or their Extended Due for Payment Date.

[If Hard Bullet Covered Bond is applicable, insert Clause 3.2 below]

3.2 Hard Bullet Covered Bond

The N Covered Bond to which this Agreement relates is a Hard Bullet Covered Bond.

[If Extended Due for Payment Date is applicable to the relevant N Covered Bond issuance, insert Clause 3.2 below]

3.2 Extended Due for Payment Date

Without prejudice to Condition 9 of the Programme Conditions, if the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in Condition 4.1 of the N Covered Bond Conditions (or after expiry of the grace period set out in Condition 9(a)(i) of the Programme Conditions) and, following the service of a Notice to Pay on the LLP by no later than the date falling one Business Day prior to the Extension Determination Date, the LLP has insufficient monies available under the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the N Covered Bond on the date falling on the earlier of (a) 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(a)(i) of the Programme Conditions) under the terms of the Covered Bond Guarantee and (b) the Extension Determination Date, then (subject as provided below) payment of the unpaid amount by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that 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 (a) and (b) 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.

The LLP shall notify the N Covered Bondholder (in accordance with Condition 9 (*Notices*) of the N Covered Bond Conditions), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the Registrar as soon as reasonably practicable and in any event at least one Business Day prior to the dates specified in (a) and (b) above of any inability of the LLP to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the N Covered Bond pursuant to the Covered Bond Guarantee.

In the circumstances outlined above, the LLP shall on the earlier of:

- (b) 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(a)(i) of the Programme Conditions), and

(c) the Extension Determination Date,

under the Covered Bond Guarantee, apply the monies (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount of the N Covered Bond and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of the N Covered Bond on such date. The obligation of the LLP to pay 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 under Condition 9(b)(i) of the Programme Conditions.]

3.3 Excess Proceeds

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the amounts to be paid by the LLP under the Covered Bond Guarantee in connection with this Clause 3.

[If N Covered Bond has an Extended Due for Payment Date, insert Clause 3.5 below:

3.4 Accrual of Interest after the Final Maturity Date

Following the Final Maturity Date, interest will continue to accrue on the Principal Amount Outstanding of the N Covered Bond and be payable on any unpaid amount at a Rate of Interest determined in accordance with Condition 4(b) of the Programme Conditions (in the same manner as the Rate of Interest for Floating Rate Covered Bonds), provided that terms used in Condition (4)(b) of the Programme Conditions shall, where applicable, be modified as set out in Schedule 1 hereto.

4. REDEMPTION DUE TO ILLEGALITY

4.1 The N Covered Bond may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 9 (*Notices*) of the N Covered Bond Conditions, the N Covered Bondholder (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make, fund or allow to remain outstanding any Term Advance made by it to the LLP pursuant to the Intercompany Loan Agreement, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

4.2 If the N Covered Bond is redeemed pursuant to this Clause 4, it will be redeemed at its Final Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

5. INCORPORATION OF PROGRAMME CONDITIONS

The provisions of Condition 9 (*Events of Default and Enforcement*), Condition 14 (*Meetings of the holders of the covered Bonds, Modification, Waiver and Substitution*), Condition 15 (Indemnification of the Bond Trustee and the Security Trustee and the Bond Trustee and Security Trustee Contracts with the Issuer and/or the LLP) and Condition 17 (Limited Recourse) of the Programme Conditions shall apply in full to the N Covered Bond *mutatis mutandis*.

6. TAXATION

- 6.1 Any reference in this Agreement or the N Covered Bond Conditions to any payment due in respect of the N Covered Bond shall be deemed to include any additional amounts which may be payable under Condition 6 (*Taxation*) of the N Covered Bond Conditions. Unless the context otherwise requires, any reference in this Agreement or the N Covered Bond Conditions to "**principal**" shall include [any premium payable in respect of the N Covered Bond,] any [Instalment Amount or] Final Redemption Amount, any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds [***add any other amounts in the nature of principal payable pursuant to the N Covered Bond Conditions***] and "**interest**" shall include all amounts payable pursuant to Condition 3 of the N Covered Bond Conditions and any other amounts in the nature of interest (including Guaranteed Amounts) payable pursuant to this Agreement or the N Covered Bond Conditions.
- 6.2 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 tax, duties, assessments or governmental charges of whatever nature, unless the withholding or deduction is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the LLP shall 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 shall not be obliged to pay any additional amount to any N Covered Bondholder in respect of the amount of such withholding or deduction.

7. NOTICES AND ACCOUNT DETAILS

All notices that are required to be given to the N Covered Bondholder pursuant to this Agreement shall be delivered in accordance with Condition 9 of the N Bond Conditions.

Address for Notices:

Details of N Covered Bondholder

Company Name: []

Address: []

Telephone: []

Fax: []

e-mail: []

Attention: []

Account Details:

For the purposes of Condition 5 (Payments) of the N Covered Bond Conditions the Designated Account of [name of N Covered Bondholder] shall be as follows:

Name of Bank: []

Account Number: []

Account Name: []

SWIFT CODE: []

IBAN Number: []

Ref: []

8. REPRESENTATIONS

Each of the Issuer and the LLP hereby represents and warrants that the characteristics of the transaction comprising the issue of the N Covered Bond and the entry into and performance of each of the Transaction Documents and the other transactions to be entered into in connection therewith are not primarily attributable to an intention to avoid United Kingdom tax.

9. CONFLICTS

9.1 The N Covered Bondholder agrees with the LLP, the Issuer and the Bond Trustee that in the event of any conflict between the provisions of (i) the N Covered Bond Conditions and/or this Agreement and (ii) the Trust Deed, the provisions of the N Covered Bond Conditions and this Agreement will prevail.

9.2 The N Covered Bondholder agrees with the LLP, the Issuer and the Bond Trustee that in the event of any conflict between the provisions of the N Covered Bond Conditions and any provisions contained in this Agreement, this Agreement will prevail.

10. AMENDMENTS

Subject to the terms of the Trust Deed, any amendments to this Agreement or any N Covered Bond Condition will be made only with the written consent of each party to this Agreement. No waiver of this Agreement shall be effective unless it is in writing and signed by (or by some person duly authorised by) each of the parties. No single or partial exercise of, or failure or delay in exercising, any right under this Agreement shall constitute a waiver or preclude any other or further exercise of that or any other right.

11. ASSIGNMENT

Subject to the terms of the Trust Deed, neither this Agreement nor any of the rights or obligations under this Agreement will be assignable or transferable by any party except (i) by the N Covered Bondholder together with the transfer of the N Covered Bond as further described in Condition 1.3 of the N Covered Bond Conditions; (ii) by the Issuer in accordance with Condition 15 of the Programme Conditions and Clause 22 of the Trust Deed; and (iii) in the case of the Bond Trustee, any successor or new Bond Trustee appointed pursuant to the terms of the Trust Deed.

12. NO ENFORCEMENT BY N COVERED BOND HOLDER

Subject to and in accordance with the Trust Deed, the N Covered Bondholder agrees with the LLP, the Issuer and the Bond Trustee that only the Bond Trustee may take action to enforce the terms of the N Covered Bond and the Trust Deed and it shall not take any steps or institute proceedings unless the Bond Trustee or the Security Trustee having become bound to do so proceeds fails to do so within a reasonable time and such failure is continuing (in which case the N Covered Bondholder shall be entitled to take such steps) except procuring the winding up, administration or liquidation of the Issuer and/or the LLP.

13. GOVERNING LAW

This Agreement and all non contractual or other obligations arising out of or in connection with it are governed by English law.

14. PLACE OF JURISDICTION

The courts of England and Wales shall have the exclusive jurisdiction for any actions or other legal proceedings arising out of or in connection with this Agreement and the parties hereto agree to waive any right to invoke, and agree not to invoke, any claim of forum non conveniens and each party hereto irrevocably submits to the jurisdiction of the courts of England and Wales in respect of any action or proceeding relating in any way to this Agreement. [Any documents relating to such dispute may be served on the N Covered Bondholder by being delivered to [*insert agent for service of process*]].

15. PARTIAL INVALIDITY

If any provision of this Agreement is or becomes invalid in whole or in part, the remaining provisions shall remain unaffected thereby. Invalid provisions shall be replaced by such valid provisions which taking into consideration the purpose and intent of this Agreement have to the extent legally possible the same economic effect as the invalid provisions. This shall apply *mutatis mutandis* to any gap in this Agreement.

16. THIRD PARTY BENEFICIARIES

Subject to any provision(s) of this Agreement under which rights are granted to third parties by express reference to the Contracts (Rights of Third Parties) Act 1999, a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

17. COUNTERPARTS

17.1 This Agreement may be executed in any number of counterparts, each of which is an original and all of which together evidence the same agreement.

17.2 This Agreement shall not come into effect until each party has executed at least one counterpart.

IN WITNESS whereof this Agreement has been executed as a deed by each of the parties hereto and delivered on the date stated on page 1 of this Agreement.

SIGNATORIES

EXECUTED AS A DEED BY

THE ROYAL BANK OF SCOTLAND PLC

acting by its duly authorised attorney)
in the presence of)
Witness's Signature:)
Name:)
Address:)

EXECUTED AS A DEED BY

RBS COVERED BONDS LIMITED LIABILITY PARTNERSHIP

acting by its duly authorised attorney)
in the presence of)
Witness's Signature:)
Name:)
Address:)

EXECUTED AS A DEED BY

CITICORP TRUSTEE COMPANY LIMITED

acting by two directors)
)
)
)
)
)
)

EXECUTED AS A DEED BY

[NAME OF N COVERED BONDHOLDER]
acting by:

By: _____

Date: _____

SCHEDULE 1

[If N Covered Bond has an Extended Due for Payment Date, insert:

Floating Rate Covered Bond Provisions:

1. Specified Period(s) / Specified Interest Payment Date(s): [Each LLP Payment Date]
2. Business Day Convention [Floating Rate Convention/ Following Business Day Convention/ Modified Following Day Convention/ Preceding Business Day Convention] [specify other]
3. Additional Business Centre(s): [●]
4. Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ ISDA Determination/ specify other]
5. Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●]
6. Screen Rate Determination
 - (a) Reference Rate [●]
[Either LIBOR, EURIBOR or other, although additional information is required if other, including amendment to fallback provisions in the Agency Agreement]
 - (b) Interest Determination Date(s) [●]
[Second day on which commercial banks are open for general business (including dealings in foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling [or euro LIBOR]), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR [or euro LIBOR]

[N.B. Specify the Interest Determination Date(s) up to and including the Extended Due for Payment Date, if applicable]
 - (c) Relevant Screen Page [●]
[In the case of EURIBOR, if not Reuters page EURIBOR01 or, in the case of LIBOR, Reuters page LIBOR01, ensure it is page which shows a composite rate or amend the fallback provisions appropriately]

TERMS AND CONDITIONS OF THE COVERED BONDS

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

In relation to N Covered Bonds, the terms and conditions of such Series of Covered Bonds will be as set out in the N Covered Bond (Namensschuldverschreibung) (and the N Covered Bond Conditions attached as Schedule 1 thereto) together with the N Covered Bond Agreement relating to such N Covered Bond. Any reference to an "N Covered Bond Condition" other than in this section shall be deemed to be, as applicable, a reference to the relevant provision of the N Covered Bond, the N Covered Bond Conditions as Schedule 1 attached thereto or the provisions of the N Covered Bond Agreement relating to such N Covered Bond.

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by The Royal Bank of Scotland plc (the **Issuer**) constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 1 April 2010 (the **Initial Programme Date**) made between the Issuer, RBS Covered Bonds Limited Liability Partnership as guarantor (the **LLP**) and Citicorp Trustee Company Limited as bond trustee (in such capacity, the **Bond Trustee**, which expression shall include any successor as Bond Trustee) and as security trustee (in such capacity, the **Security Trustee**, which expression shall include any successor as Security Trustee).

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

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

The Covered Bonds, 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 the Initial Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee and Citibank, N.A., London Branch as issuing and principal paying agent (in such capacity, the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Citibank, N.A., London Branch as exchange agent (in such capacity, the **Exchange Agent**, which expression shall include any additional or successor exchange agent), Citibank, N.A., London Branch as registrar (in such capacity, the **Registrar**, which expression shall include any successor registrar) and as transfer agent (in such capacity, a **Transfer Agent** and together with the Registrar, the **Transfer Agents**, which expression shall

include any additional or successor transfer agents). As used herein, **Agents** shall mean the Paying Agents and the Exchange Agent and the Transfer Agents.

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

The Final Terms for this Covered Bond (or the relevant provisions thereof) are attached to or endorsed on this Covered Bond and supplement these terms and conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Covered Bond. References to the "applicable Final Terms" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond.

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

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

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

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

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

Copies of the Trust Deed, the Deed of Charge, the Master Definitions and Construction Agreement (as defined below), the Agency Agreement and each of the other Transaction Documents are available for inspection free of charge during normal business hours at the registered office for the time being of the Bond Trustee being at the Initial Programme Date at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of the Principal Paying Agent. Copies of the applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of the Principal Paying Agent and any Covered Bondholder must produce evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, the

relevant Paying Agent as to its holding of Covered Bonds and identity. For the avoidance of doubt the N Covered Bonds and the N Covered Bond Agreement will not be available for inspection. 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 Initial Programme Date as amended and restated on or about the Programme Date (as the same may be amended and/or supplemented and/or restated from time to time, the **Master Definitions and Construction Agreement**), a copy of each of which may be obtained as described above.

1. Form, Denomination and Title

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

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond, a Zero Coupon Covered Bond, an Index Linked Interest Covered Bond, a Dual Currency Interest Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms, and 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 an Index Linked Redemption Covered Bond, an Instalment Covered Bond, a Dual Currency Redemption Covered Bond, a Hard Bullet Covered Bond or a combination of any of the foregoing, 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 attached, unless they are Zero Coupon Covered Bonds in which case references to Coupons and Couponholders in these Conditions are not applicable.

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

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

For so long as any of the Covered Bonds is represented by a Global Covered Bond held on behalf of, or, as the case may be, registered in the name of a common depository (in the case of a CGCB) or common safekeeper (in the case of a NGCB) for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) or The Depository Trust Company (**DTC**) each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including, without limitation, Euroclear's EUCLID or Clearstream's Cedcom system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the LLP, any Paying Agent, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expression **Covered Bondholder** and related expressions shall be construed accordingly.

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

References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits (but not in the case of any NGCB), be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms 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 Rule 144A Global Covered Bonds (as defined below) and Regulation S Global Covered Bonds (as defined below) (together, the **Registered Global Covered Bonds**) will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be 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 DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Covered Bond registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Covered Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Covered Bonds in definitive form

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

(c) *Registration of transfer upon partial redemption*

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

(d) *Costs of registration*

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

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

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

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

- (B) to a person who is an Institutional Accredited Investor, together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an **IAI Investment Letter**); or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

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

(f) Transfers of interests in Legended Covered Bonds

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

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Covered Bond, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Covered Bond registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Covered Bonds being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Covered Bond:
 - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
 - (B) where the transferee is an Institutional Accredited Investor,
 - subject, in the case of (B), to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

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

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

(g) Exchanges and transfers of Registered Covered Bonds generally

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

(h) Definitions

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

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

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

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

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

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

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

Regulation S means Regulation S under the Securities Act;

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

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

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

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

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

(a) Status of the Covered Bonds

The Covered Bonds and any relative 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 shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and service by the Bond Trustee on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee are (following an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay or an LLP Event of Default and service of an LLP Acceleration Notice), 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 shall have been discharged as a result of the payment of Excess Proceeds to the Bond Trustee pursuant to Condition 9) discharge *pro tanto* the obligations of the Issuer in respect of such payment under the Covered Bonds, 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.

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

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

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

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

In these Conditions:

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

Original Due for Payment Date means, in respect of the payment of Guaranteed Amounts, prior to the occurrence of an LLP Event of Default and following the delivery of a Notice to Pay on the LLP,

the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two 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 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 and Index Linked Interest Covered Bonds

(i) Interest Payment Dates

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

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

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

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

- (1) in any case where Specified Periods are specified in accordance with Condition 6(c)(i)(B) below, the **Floating Rate Convention**, such Interest Payment Date: (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis*; or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the **Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

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

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

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) in the case of any sum payable, either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (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 day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (the **TARGET2 System**) is open.

(ii) *Rate of Interest*

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

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

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

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is the period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either: (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or the Euro-zone inter-bank offered rate (**EURIBOR**) for a currency, the first day of that Interest Period; or (ii) in any other case, as specified in the applicable Final Terms.

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

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

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

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the applicable Final Terms.

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

The Principal Paying Agent (in the case of Floating Rate Covered Bonds) and the Calculation Agent (in the case of Index Linked Interest Covered Bonds) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Bond Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds or Index Linked Interest Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 6(c)(i)) thereafter by the Principal Paying Agent. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds or Index Linked Interest Covered Bonds are for the time being listed or by which they have been admitted to listing and to the Covered Bondholders in accordance with Condition 13.

(vi) *Determination or Calculation by Bond Trustee*

If for any reason at any relevant time after the Issue Date, the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Bond Trustee may determine (or appoint an agent to determine) the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Bond Trustee may calculate (or appoint an agent to calculate) the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as the case may be.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Principal Paying Agent or the Calculation Agent or the Bond Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the

Issuer, the LLP, the Principal Paying Agent, the Calculation Agent, the other Paying Agents, the Bond Trustee and all 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 or the Calculation Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Interest Covered Bonds*

In the case of Dual Currency Interest Covered Bonds where the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Covered Bonds*

In the case of Partly Paid Covered Bonds (other than Partly Paid Covered Bonds which are Zero Coupon Covered Bonds), interest will accrue on the paid up nominal amount of such Covered Bonds or as otherwise specified in the applicable Final Terms.

(e) *Accrual of interest*

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused 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 electronic transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (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 electronic transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

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

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

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

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

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

Fixed Rate Covered Bonds in definitive bearer form (other than Dual Currency Covered Bonds or Index Linked Covered Bonds or Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay) or 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 unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

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

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

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

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

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by electronic transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the **Register**) at the close of business on the third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (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 at the close of business on the 15th day (whether or not such 15th day is a Business Day) before the relevant due date (the **Record Date**) at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the Registrar not less than three Business Days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by electronic transfer on the due date in the manner provided in the preceding paragraph. Any such application for electronic transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on

redemption and the final instalment of principal will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.

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

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

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

(e) *General provisions applicable to payments*

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

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

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

(f) *Payment Day*

If the date for payment of any amount in respect of any Covered Bond, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant

amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the applicable Final Terms), **Payment Day** means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) London; and
 - (C) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open; and
- (iii) in the case of any payment in respect of a Registered Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Covered Bond) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) *Interpretation of principal and interest*

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

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

- (ix) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds.

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

(h) Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Covered Bondholders, the Receiptholders and the Couponholders, on giving prior written notice to the Bond Trustee, the Security Trustee, the Agents, the Registrar (in the case of Registered Covered Bonds), Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Covered Bondholders in accordance with Condition 13, elect that, with effect from the Redenomination Date specified in the notice, the Covered Bonds shall be redenominated in euro. In relation to any Covered Bonds where the applicable Final Terms provides for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 50,000 and which are admitted to trading on a regulated market in the European Economic Area, it shall be a term of any such redenomination that the holder of any Covered Bonds held through Euroclear and/or Clearstream, Luxembourg and/or DTC must have credited to its securities account with the relevant clearing system a minimum balance of Covered Bonds of at least euro 50,000.

The election will have effect as follows:

- (i) the Covered Bonds and any Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Covered Bond and Receipt equal to the nominal amount of that Covered Bond or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, in consultation with the Agents and the Bond Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Covered Bondholders, the competent listing authority, stock exchange and/or market (if any) on or by which the Covered Bonds may be listed and/or admitted to trading and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Covered Bonds will be calculated by reference to the aggregate nominal amount of Covered Bonds presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if definitive Covered Bonds are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 50,000 and/or such higher amounts as the Agents may determine and notify to the Covered Bondholders and any remaining amounts less than euro 50,000 shall be redeemed by the Issuer and paid to the Covered Bondholders in euro in accordance with Condition 6;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Covered Bonds, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in

respect of them. The payment obligations contained in any Covered Bonds, Receipts and Coupons so issued will also become void on that date although those Covered Bonds, Receipts and Coupons will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Covered Bonds, Receipts and Coupons will be issued in exchange for Covered Bonds, Receipts and Coupons denominated in the Specified Currency in such manner as the Agents may specify and as shall be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Covered Bonds;

- (v) after the Redenomination Date, all payments in respect of the Covered Bonds, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Covered Bonds to the Specified Currency were to euro. Payments will be made in euro 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;
- (vi) if the Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated
 - (a) in the case of Covered Bonds represented by a Global Covered Bond, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bonds; and
 - (b) in the case of definitive Covered Bonds, by applying the Rate of Interest to 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 is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

- (vii) if the Covered Bonds are Floating Rate Covered Bonds or Variable Interest Covered Bonds, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to this Condition (and the Transaction Documents) as the Issuer may decide, after consultation with the Agents and the Bond Trustee, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

(i) **Definitions**

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

Established Rate means the rate for the conversion of the relevant Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty.

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.

Redenomination Date means (in the case of interest bearing Covered Bonds) any date for payment of interest under the Covered Bonds or (in the case of Zero Coupon Covered Bonds) any date, in each case specified by the Issuer in the notice given to the Covered Bondholders pursuant to Condition 5(h)(i) and which falls on or after the date on which the country of the relevant Specified Currency first participates in the third stage of European economic and monetary union.

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

6. Redemption and Purchase

(a) *Final redemption*

Unless previously redeemed in full 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, if an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms (or after expiry of the grace period set out in Condition 9(a)(i)) and, following the service of a Notice to Pay on the LLP by no later than the date falling one Business Day prior to the Extension Determination Date, the LLP has insufficient monies available under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the earlier of (a) the date which falls two 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(a)(i)) under the terms of the Covered Bond Guarantee and (b) the Extension Determination Date, then (subject as provided below) payment of the unpaid amount by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that 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 (a) and (b) 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.

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. Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The LLP shall notify the relevant Covered Bondholders (in accordance with Condition 13), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least one Business Day prior to the dates specified in (a) and (b) of the preceding paragraph of any inability of the LLP to pay in full the Guaranteed Amounts corresponding to the Final

Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the LLP to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party. In such circumstances, the LLP shall on the earlier of (a) the date falling two London Business Days after the service of a Notice to Pay on the LLP or if later the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(a)(i)) and (b) the Extension Determination Date, under the Covered Bond Guarantee, apply the monies (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the LLP to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the LLP shall not constitute an LLP Event of Default.

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to 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; and

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.

Guarantee Priority of Payments means the priority of payments relating to monies standing to the credit of the Transaction Account (to the extent maintained, or otherwise the Deposit Account) to be paid on each LLP Payment Date in accordance with the Trust Deed.

Rating Agency means any one of Moody's Investors Service Limited, Fitch Ratings Ltd. and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (together, the **Rating Agencies**) or their successors, to the extent they provide ratings in respect of the Covered Bonds.

(b) *Redemption for taxation reasons*

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

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

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having (unless otherwise specified, in the applicable Final Terms) given not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, (in the case of the redemption of Registered Covered Bonds) the Registrar and, in accordance with Condition 13, the Covered Bondholders (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. In the event of a redemption of some only of the Covered Bonds, such redemption must be for an amount being the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the **Redeemed Covered Bonds**) will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 not less than 30 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Dates, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6(c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 at least 30 days prior to the Selection Date.

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

If Investor Put is specified in the applicable Final Terms, upon the holder of any Covered Bond giving the Issuer not less than 30 nor more than 60 days' written notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of a Covered Bond the holder thereof must, if the Covered Bond is in definitive form and held outside Euroclear and Clearstream, Luxembourg, or DTC, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6(d) accompanied by this Covered Bond or evidence satisfactory to the Paying Agent concerned that this Covered Bond will, following delivery of the Put Notice, be held to its order or under its control.

If this Covered Bond is represented by a Global Covered Bond or is in definitive form and held through Euroclear or Clearstream, Luxembourg, or DTC to exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg or DTC, (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or DTC, or any common depository or common safekeeper, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg or DTC from time to time and, if this Covered Bond is represented by a Global Covered Bond, at the same time present or procure the presentation of the relevant Global Covered Bond to the Agent for notation accordingly.

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

(e) *Redemption due to illegality*

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

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

(f) *Early Redemption Amounts*

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

- (i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond but including an Instalment Covered Bond or a Partly Paid Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Covered Bond, at an amount (the **Amortised Face Amount**) equal to the sum of:

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

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

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

(g) *Instalments*

Instalment Covered Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(f) above.

(h) *Partly Paid Covered Bonds*

Partly Paid Covered Bonds will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(f) above.

(i) *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).

(j) *Cancellation*

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

(k) *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), (b) or (c) above or upon its becoming due and repayable as provided in Condition 9 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(f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

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

(l) *Certification on redemption under Condition 6(b) and 6(e)*

Prior to the publication of any notice of redemption pursuant to Condition 6(b) or (e), 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 or the LLP, as the case may be, will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Covered Bondholders, Receiptholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond, Receipt or Coupon presented for payment:

- (a) in the United Kingdom; or
- (b) by or on behalf of a holder who (i) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant taxing authority but fails to do so; or (ii) is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bonds, Receipts or Coupons (as the case may be) by reason of his having some connection with the United Kingdom other than merely by reason of the holding of such Covered Bonds, Receipts or Coupons; or

- (c) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or
- (d) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Covered Bond, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

Relevant Date means the date on which such payment in respect of the Covered Bond, Receipt or Coupon first becomes due and payable, except that, if the full amount of the monies payable on such date has not been duly received by the Bond Trustee, the Registrar or the Principal Paying Agent on or prior to such date, it means the date on which such monies have been so received, notice to that effect having been given to the Covered Bondholders in accordance with Condition 13.

Should any payments made by the LLP under the Covered Bond Guarantee be made subject to any withholding or deduction for or on account of taxes or duties of whatever nature imposed or levied by or on account of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax, the LLP will not be obliged to pay any additional amounts as a consequence.

8. Prescription

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

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

9. Events of Default and Enforcement

(a) Issuer Events of Default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25% of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose or the purpose of any Extraordinary Resolution referred to in this Condition 9(a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding, as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of the Covered Bondholders shall, (but in the case of the happening of any of the events mentioned in subparagraphs (ii) or (iv), only if the Bond Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, provided that a breach of any obligation to provide

notices, reports or other information to the FSA under the RCB Regulations and/or the RCB Sourcebook shall not be considered materially prejudicial to the interests of the Covered Bondholders of any Series by the Bond Trustee) (subject in each case to being indemnified and/or secured 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, as 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) if default is made by the Issuer in payment of any interest or principal due in respect of the Covered Bonds of any Series or any of them and such default continues for a period of 14 days or more (in the case of interest) or seven days or more (in the case of principal); or
- (ii) if the Issuer fails to perform or observe any of its other 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 any Subscription Agreement) but excluding any obligation of the Issuer to comply with the Asset Coverage Test or any representation or warranty given by the Issuer in respect of the Asset Coverage Test, and such failure continues for a period of 30 days (or such longer period as the Bond Trustee may permit) next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied (except in circumstances where the Bond Trustee considers such failure to be incapable of remedy in which case no period of continuation will apply and no notice by the Bond Trustee will be required); or
- (iii) if the Issuer becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of a liquidator or receiver or administrator or bank liquidator or bank administrator or similar officer of itself or the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or stops or threatens to cease to carry on its business or any substantial part of its business or an order is made or an effective resolution is passed for the winding up or dissolution of the Issuer except in any case in connection with a substitution pursuant to Condition 14 or for the purpose of a reconstruction, union, transfer (of engagements or of business), merger, amalgamation or reorganisation the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders; or
- (iv) if the authorisation or registration of the Issuer to accept deposits under Part IV of the FSMA is or is proposed to be cancelled, suspended or revoked or anything analogous or similar to any of the foregoing occurs; or
- (v) if an Asset Coverage Test Breach Notice has been served and remains outstanding (in accordance with the terms of the Transaction Documents) on the third Calculation Date after service of such Asset Coverage Test Breach Notice on the LLP.

Upon the Covered Bonds becoming immediately due and repayable against the Issuer pursuant to this Condition 9(a), the Bond Trustee shall forthwith serve a notice to pay (the **Notice to Pay**) on the LLP pursuant to the Covered Bond Guarantee and the LLP shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

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

The Trust Deed provides that all monies received by the Bond Trustee from the Issuer or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the **Excess Proceeds**), shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the LLP Accounts and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP as Available Principal Receipts 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 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 to its satisfaction), but in the case of the happening of any of the events described in paragraphs (ii) or (vi) below, only if the Bond Trustee shall have certified in writing to the Issuer and the LLP that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, 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 (7) days or more in the payment of any Guaranteed Amounts when Due for Payment in respect of the Covered Bonds of any Series except in the case of the payments of a Guaranteed Amount when Due for Payment under Condition 6(a) where the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or
- (ii) if default is made by the LLP in the performance or observance of any other obligation, condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Deed of Charge or any other Transaction Document to which the LLP is a party (other

than the Programme Agreement or any Subscription Agreement) and, except where such default is or the effects of such default are, in the opinion of the Bond Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the LLP requiring the same to be remedied; or

- (iii) if the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (iv) 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
- (v) proceedings are initiated against the LLP under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding-up, administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise)); or a receiver and/or manager, administrative receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the LLP or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the LLP shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition with, its creditors generally; or
- (vi) a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on any Calculation Date following an Issuer Event of Default; or
- (vii) the Covered Bond Guarantee is not, or is claimed by the LLP not to be, in full force and effect.

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP each of the Bond Trustee and the Security Trustee may or shall take such proceedings or steps in accordance with the first and second paragraphs, respectively, of Condition 9(c) and the Covered Bondholders shall have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 7) as provided in the Trust Deed in respect of each Covered Bond.

(c) *Enforcement*

The Bond Trustee may at any time, at its discretion and without further notice, take such proceedings or other action against the Issuer and/or the LLP, as the case may be, and/or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds, 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 shall have 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 and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid) or so requested in writing by the holders of not less than 25% 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 converted

into Sterling at the relevant Covered Bond Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or secured to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee shall only have regard to the interests of the Covered Bondholders of all Series equally and shall not have regard to the interests of any other Secured Creditors.

The Bond Trustee may at any time, at its discretion and without further notice, direct the Security Trustee to take such 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 shall have 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 and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid) or so requested in writing by the holders of not less than 25% 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 converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid); and (ii) each of the Bond Trustee and Security Trustee shall have been indemnified and/or secured to its satisfaction. In exercising any of its powers, trusts, authorities and discretions under this paragraph each of the Bond Trustee and the Security Trustee shall only have regard to the interests of the Covered Bondholders of all Series equally and shall not have regard to the interests of any other Secured Creditors.

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.

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

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

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

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

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

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) 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;
- (c) so long as any of the Registered Global Covered Bonds payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent;
- (d) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive if any; and
- (e) the Issuer will ensure that it appoints a Paying Agent in a Member State of the European Union (other than the United Kingdom) in the event that it is required to withhold or deduct tax on payments made in the United Kingdom.

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). Notice of any such variation, termination, appointment or change will be given by the Issuer to the Covered Bondholders as soon as reasonably practicable in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders, 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.

13. Notices

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

given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers on different dates, the last date of such first publication.

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

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

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

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

The Trust Deed contains provisions for convening meetings of the Covered Bondholders of any Series to consider any matter affecting their interests, including, without limitation, the modification by Extraordinary Resolution of these Conditions, the N Covered Bond Conditions applicable to a particular Series of Covered Bonds or the provisions of the Trust Deed. The quorum at any such meeting in respect of the 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 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 accelerate the Covered Bonds pursuant to Condition 9 (a) or to give an LLP Acceleration Notice pursuant to Condition 9(b) (Events of Default and Enforcement) or to direct the Bond Trustee or the Security Trustee to take any enforcement action or to direct the Bond Trustee to 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 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 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 may, without the consent of the Covered Bondholders, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors concur with the Issuer, the LLP or any other party or direct the Security Trustee to concur with the Issuer, the LLP or any other party in making:

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

Notwithstanding the above:

- (i) the Issuer, the LLP and the Principal Paying Agent may agree, without the consent of the Bond Trustee, the Security Trustee, the Covered Bondholders, Receiptholders or Couponholders or any of the other Secured Creditors, to any modification of any of the provisions of any Final Terms which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provisions of law;
- (ii) the Bond Trustee shall without the consent or sanction of any of the Covered Bondholders, the Receiptholders or the Couponholders and without the consent or sanction of any other Secured Creditors concur, or direct the Security Trustee to concur, with the Issuer and the LLP in making any modifications to the Trust Deed, the Transaction Documents and/or the Conditions to enable the Covered Bonds of any Series issued under the Programme to qualify as regulated covered bonds under the RCB Regulations or any replacement or amended regulations, subject to receipt by the Bond Trustee of a certificate signed by two directors of the Issuer and a certificate of a Designated Member of the LLP, each certifying to the Bond Trustee (a) that the requested amendments are to be made solely for the purpose

of enabling the relevant Covered Bonds to qualify as regulated covered bonds under the RCB Regulations or any replacement or amended regulations and (b) that the requested amendments are not, in the opinion of the Issuer or the LLP, materially prejudicial to the interests of the Covered Bondholders of any Series or any other Secured Creditor (the **RCB Certificate**);

- (iii) subject to the provision of the RCB Certificate to the Bond Trustee and subject as provided in paragraph (iv) below, the Bond Trustee shall be bound to concur, or to direct the Security Trustee to concur, with the Issuer and the LLP and any other party in making any of the above-mentioned modifications if it is (a) so directed by Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate) or (b) requested to do so in writing by the holders of not less than twenty-five per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate); and
- (iv) the Bond Trustee and the Security Trustee shall not be obliged to agree to any amendment, which, in the sole opinion of the Bond Trustee or the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee or the Security Trustee, as applicable, in the Trust Deed, the other Transaction Documents and/or the Conditions.

The Bond Trustee may without the consent of any of the Covered Bondholders of any Series, the related Receiptholders and/or 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, waive or authorise, or direct the Security Trustee to waive or authorise, any breach or proposed breach by the Issuer or the LLP or any other person of any of the covenants or provisions contained in the Trust Deed, the other Transaction Documents or the Conditions or 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 for the purposes of the Trust Deed, PROVIDED ALWAYS THAT the Bond Trustee shall not exercise any powers conferred on it in contravention of any express direction given by Extraordinary Resolution or by a request under Condition 9(a) or 9(b) (Events of Default and Enforcement) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Bond Trustee may determine.

Subject as provided below, the Bond Trustee shall be bound to waive or authorise, or direct the Security Trustee to waive or authorise, any breach or proposed breach by the Issuer or the LLP or any other person of any of the covenants or provisions contained in the Trust Deed, the other Transaction Documents or the Conditions or 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 for the purposes of the Trust Deed if it is: (A) in the case of any such waiver or authorisation, (a) so directed by Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate) or (b) requested to do so in writing by the holders of not less than twenty-five per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more

Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate) or (B), in the case of any such determination, (a) so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate) or (b) requested to do so in writing by the holders of not less than twenty-five per cent. of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and, if applicable, converted into Sterling as aforesaid), and at all times then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

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

Prior to the Bond Trustee making or granting any modification, waiver, authorisation or determination pursuant to this Condition 14, the Issuer must send written confirmation to the Bond Trustee or, as the case may be, the Security Trustee that any such modification, waiver, authorisation or determination would not result in a breach of the RCB Regulations and that either:

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

Any such modification, waiver, authorisation or determination shall be binding on all the Covered Bondholders of all Series for the time being outstanding, the related Receiptholders and the 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 for the time being outstanding in accordance with Condition 13 (Notices) and the other Secured Creditors as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee and the Security Trustee shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Receiptholders, Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee and the Security Trustee shall not be entitled to require, nor shall any Covered Bondholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders, Receiptholders and/or Couponholders, except to the extent already provided for in Condition 7 of these Conditions or Condition 6 of any set of N Covered Bond Conditions

and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 of these Conditions or Condition 6 of any set of N Covered Bond Conditions 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 of the Issuer or a Successor in Business in place of the Issuer as principal debtor under the Covered Bonds and the Trust Deed.

Any substitution pursuant to this Condition 14 shall be binding on the Covered Bondholders, the Receiptholders and the Couponholders and, unless the Bond Trustee agrees otherwise, shall be notified by the Issuer to the Covered Bondholders as soon as practicable thereafter in accordance with 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 of the Issuer which is proposed to be substituted for the Issuer as principal debtor under the Covered Bonds and the Trust Deed; and
- (b) any Successor in Business or any Subsidiary of the Issuer is included in the register of Issuers pursuant to the RCB Regulations and that all other provisions of the RCB Regulations (including Regulation 20 of the RCB Regulations) are satisfied prior to the substitution of the Issuer.

Rating Agencies

If:

- (a) a confirmation or affirmation of rating or other response by a Rating Agency is a condition to any action or step under any Transaction Document; and
- (b) a written request for such confirmation or response is delivered to that Rating Agency by any of the LLP, the Issuer, the Sellers, the Cash Manager, the Servicers, the Bond Trustee and/or the Security Trustee, as applicable (each a **Requesting Party**) and one or more of the Rating Agencies (each a **Non-Responsive Rating Agency**) indicates that it does not consider such confirmation, affirmation or response necessary in the circumstances,

the Requesting Party shall be entitled to disregard the requirement for a confirmation or affirmation of rating or other response by each Non-Responsive Rating Agency and proceed on the basis of the confirmations or affirmations of rating or other responses received by each other Rating Agency or, if all the Rating Agencies indicate that they do not consider such a confirmation or affirmation of rating or other response necessary in the circumstances, on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request.

If a Rating Agency does not respond to a written request for a confirmation or affirmation such non response shall not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step or any deemed indication that it does not consider such confirmation, affirmation or response necessary in the circumstances.

For the purposes of this Condition 14:

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

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

Successor in Business means any entity which (i) acquires all or substantially all of the undertaking and/or assets of the Issuer or (ii) acquires the beneficial ownership of the whole of the issued voting stock and/or share capital of the Issuer or (iii) into which the Issuer is amalgamated, merged or reconstructed and where the Issuer is not the continuing company; 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 for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, Covered Bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, Covered Bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the Covered Bondholders to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and (vi) alteration of the 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 to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, *inter alia*: (i) to enter into business transactions with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders, Receiptholders or Couponholders or the other Secured Creditors and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability which may be suffered as a result of any Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons 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 Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test; or (iv) monitoring whether Loans and Related Security satisfy the Eligibility Criteria. Neither the Bond Trustee nor the Security Trustee will be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

16. Further Issues

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

17. 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:

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

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

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 shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999.

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 (other than each declaration of trust in relation to the sale of Scottish loans and their related security to the LLP (each a **Scottish Declaration of Trust**) and certain documents to be granted pursuant to the Deed of Charge) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary. Certain provisions of the Mortgage Sale Agreements will be construed in accordance with Scots law and each Scottish Declaration of Trust and certain supplemental security documents to be granted pursuant to the Deed of Charge will be governed by, and construed in accordance with, Scots law.

USE OF PROCEEDS

The gross proceeds from each issue of Covered Bonds will be used by the Issuer to make available Term Advances to the LLP pursuant to the terms of the Intercompany Loan Agreement, which in turn shall be used by the LLP (after swapping the proceeds of the Term Advances into Sterling, if necessary) either to (i) acquire Loans and their Related Security from the Sellers in accordance with the terms of the Mortgage Sale Agreements or (ii) to invest the same in Substitution Assets up to the prescribed limit to the extent required to meet the requirements of Regulations 23 and 24(1)(a) of the RCB Regulations and the Asset Coverage Test and thereafter may be applied by the LLP:

- (a) to acquire Loans and their Related Security or to invest the same in Substitution Assets up to the prescribed limit; and/or
- (b) 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
- (c) subject to complying with the Asset Coverage Test, to make a Capital Distribution to a Member; and/or
- (d) to deposit all or part of the proceeds into the Deposit Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit).

NATIONAL WESTMINSTER HOME LOANS LIMITED AND THE ROYAL BANK OF SCOTLAND PLC

National Westminster Home Loans Limited

National Westminster Home Loans Limited (**NWHL**) will act as a Seller and as a Servicer under the Programme. NWHL's registered office is at 135 Bishopsgate, London EC2M 3UR (telephone number 0131 556 8555).

NWHL was incorporated in England and Wales with limited liability on 19 September 1979. Its registered number is 01449354. NWHL has no subsidiaries.

NWHL was established as a dedicated mortgage lender by the then independent National Westminster Bank Group in 1980 to provide residential mortgages on behalf of the National Westminster Bank Group. Subsequent to the acquisition of the National Westminster Bank Group in 2000 by The Royal Bank of Scotland Group plc (**RBSG**), RBSG has continued to originate mortgages under the NatWest brand through NWHL.

Directors

The Directors of NWHL are:

Name	Business Address	Business Occupation
Les Matheson	135 Bishopsgate, London EC2M 3UR	Bank Official
Fiona Davis	135 Bishopsgate, London EC2M 3UR	Bank Official
Jon Cooper	135 Bishopsgate, London EC2M 3UR	Bank Official
Mark Smith	135 Bishopsgate, London EC2M 3UR	Bank Official

The company secretary of NWHL is Neil Macarthur.

No potential conflicts of interest exist between (i) any duties owed to NWHL by any director listed above and (ii) their private interests and other duties save as disclosed and authorised by the board of directors.

The information above has been accurately reproduced and, so far as the Issuer is aware and is able to ascertain from information published by NWHL, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Royal Bank of Scotland plc

The Royal Bank of Scotland plc (**RBS**) will have various roles under the Programme including those of a Seller, a Servicer, the Issuer, the Interest Rate Swap Provider Account Bank and the Cash Manager. RBS's registered office is at 36 St Andrew Square, Edinburgh EH2 2YB (telephone number +44 (0)131 556 8555).

RBS was incorporated in Scotland as a public limited company on 31 October 1984. Its registered number is SC 090312.

The final paragraph on page 38 of the RBS Registration Document, which is incorporated by reference into this Prospectus, for the purposes of being incorporated by reference into this Prospectus, be deemed to be deleted and replaced with the paragraph set out in Schedule 5 to the Relevant EMTN Supplement.

The Directors, the Group General Counsel and Group Secretary of RBS are set out in the RBS Registration Document.

In addition, the following paragraph shall be deemed to be inserted at the end of page 50 of the RBS Registration Document, which is incorporated by reference into this Prospectus:

“Brendan Nelson has been appointed as a Non-executive Director of RBSG and RBS with effect from 1 April 2010. Brendan will succeed Archie Hunter as Chairman of the Group Audit Committee with effect from the conclusion of the Group's Annual General Meeting on 28 April 2010.”

There exists no potential conflicts of interest between (i) the duties owed to the Issuer of the directors of RBS listed in the Registration Document as updated by reference to the preceding two paragraphs of this Prospectus and (ii) their other principal activities listed in the RBS Registration Document as updated by reference to the preceding two paragraphs of this Prospectus or any of their private interests.

THE LLP

Introduction

The LLP was incorporated in England and Wales on 22 October 2009 as a limited liability partnership (partnership number OC349504) with limited liability under the LLPA 2000 by RBS, NWHL and the Liquidation Member as its Members. The principal place of business of the LLP is at 1 Princes Street, London EC2R 8BP (telephone number: +44 (0) 20 7714 4461). The LLP has no subsidiaries.

Principal Activities

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

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

Members

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

<i>Name</i>	<i>Registered Office</i>
RBS	36 St. Andrew Square, Edinburgh EH2 2YB, Scotland
NWHL	135 Bishopsgate, London EC2M 3UR, England
Liquidation Member	35 Great St. Helen's Street, London, EC3A 6AP, England

The LLP has no employees.

Directors of the Members

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

The Directors, the Group General Counsel and Group Secretary of RBS are set out in the RBS Registration Document.

The directors of NWHL are set out under the section entitled "*Directors*" of the "*National Westminster Home Loans Limited*" above.

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Director of Special Purpose Companies
SFM Directors (No. 2) Limited	35 Great St. Helen's, London EC3A 6AP	Director of Special Purpose Companies
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director

LLP Management Committee

The LLP Management Committee, consisting as at the date of this Prospectus of directors, officers and/or employees of RBS, NWHL 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, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

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

SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

The Trust Deed, made between the Issuer, the LLP, the Bond Trustee and the Security Trustee on the Initial Programme Date, 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 Issuer Event of Default occurs (other than by reason of non-payment) or if an LLP Event of Default occurs, the LLP has agreed (subject as described below) to pay or procure to be paid (following service of an Issuer Acceleration Notice and Notice to Pay or, if applicable, an LLP Acceleration Notice) unconditionally and irrevocably to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders), an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date or, if applicable, Extended Due for Payment Date, by the Issuer (or an amount which would have become Due for Payment but for any variation, discharge or release of the Guaranteed Amounts). Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which an LLP Acceleration Notice is served.

Following the occurrence of an Issuer Event of Default and after the Covered Bonds have been declared due and payable by the Bond Trustee as against the Issuer, the Bond Trustee will serve a Notice to Pay on the LLP. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of: (i) the day 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, 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 the power to tax 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 Covered Bonds or Receipts or Coupons or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or any of the Covered Bondholders, Receiptholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

Subject to the grace period specified in Condition 9(b)(i) (LLP Events of Default) of the Conditions, failure by the LLP to pay the Guaranteed Amounts when Due for Payment will result in an LLP Event of Default.

The Trust Deed provides that 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 Deposit 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 *pro tanto* the obligations of the Issuer in respect of the Covered Bonds, Receipts and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and Notice to Pay or, if earlier, service of an LLP Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

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

The Trust Deed will be governed by English law.

Intercompany Loan Agreement

On each Issue Date, the Issuer will use the proceeds of the Covered Bonds issued under the Programme to lend on that date an amount equal to the Principal Amount Outstanding on the Issue Date of the issue of the related Covered Bonds to the LLP by way of a Term Advance pursuant to the Intercompany Loan Agreement. Each Term Advance will be made in the 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. 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 Loans and their Related Security from the Sellers pursuant to the terms of the Mortgage Sale Agreements, as described under – "*Mortgage Sale Agreements – Sale by the Sellers of Loans and their 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 Loans and their Related Security from the Sellers pursuant to the terms of the Mortgage Sale Agreements, as described under – "*Mortgage Sale Agreements – Sale by the Sellers of Loans and their Related Security*" below; and/or (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or (iii) (subject to satisfying the Asset Coverage Test), to make a Capital Distribution to a Member; and or (iv) if an existing Series or 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 make a deposit in the Deposit Account (including, without limitation, to fund the Reserve Fund in an amount not exceeding the prescribed limit). Each Term Advance will bear interest at a rate of interest equal to the rate of interest payable on the corresponding Series or Tranche, as applicable, of Covered Bonds.

The Issuer will not be relying on repayment of any Term Advance in order to meet its repayment obligations under the Covered Bonds. The LLP will pay amounts due in respect of Term Advances(s) in accordance with the relevant Priorities of Payments. Prior to the service of an Asset Coverage Test Breach Notice (which remains outstanding) or a Notice to Pay on the LLP, amounts due in respect of each Term Advance will be paid by the LLP to, or as directed by, the Issuer on each Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the

Pre-Acceleration Principal Priority of Payments. The Issuer may use the proceeds of the Term Advances to pay amounts due on the Covered Bonds. However, any failure by the LLP to pay any amounts due on the Term Advances will not affect the liability of the Issuer to pay the relevant amount due on the Covered Bonds. For so long as an Asset Coverage Test Breach Notice is outstanding, 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(j).

The Intercompany Loan Agreement will be governed by English law.

Mortgage Sale Agreements

The Sellers

Loans and their Related Security will be sold to the LLP from time to time pursuant to the terms of (i) the RBS Mortgage Sale Agreement entered into on the Initial Programme Date between RBS (in its capacity as a Seller), the LLP and the Security Trustee and (ii) the NWHL Mortgage Sale Agreement entered into on the Initial Programme Date between NWHL (in its capacity as a Seller), the LLP, RBS as a purchaser and the Security Trustee (or, in each case, in respect of the English Loans, until such time as the LLP obtains a licence under the CCA, the RBS Loans will be held on trust by RBS and the NWHL Loans will be held on trust by NWHL, in each case for the benefit of the LLP under bare trusts constituted under English law (together the **CCA Trusts**)) and, in respect of any Scottish Loan held on trust for the benefit of the LLP pursuant to the Scottish Declarations of Trust. References in the Mortgage Sale Agreements to the "sale" or "repurchase" of a Loan while the CCA Trusts are outstanding are deemed to be references to the beneficial interest in the Loans being held on trust for the LLP under the CCA Trusts or the Scottish Declarations of Trust.

Sale by the Sellers of Loans and Related Security

The Portfolio will consist of Loans and their Related Security sold from time to time by the Sellers to the LLP in accordance with the terms of the Mortgage Sale Agreements. The types of Loans forming part of the Portfolio will vary over time provided that, at the time the relevant Loans are sold to the LLP, the Eligibility Criteria (as described below) in respect of such Loans are met on the relevant Transfer Date. Accordingly, the Portfolio may, at any time, include Loans with characteristics that were not being offered to Borrowers on previous Transfer Dates.

Prior to the occurrence of the earlier of an Issuer Event of Default or an LLP Event of Default, the LLP will acquire Loans and their Related Security from NWHL and/or RBS in the three circumstances described below.

- (a) First, in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the Issuer will make Term Advances to the LLP, the proceeds of which may be applied in whole or in part by the LLP to acquire Loans and their Related Security from the Sellers. In exchange for the sale of the Loans and their Related Security to the LLP, the Sellers will receive an amount equal to the True Balance of those Loans sold by it as at the Transfer Date, which will be satisfied by a combination of:
 - (i) a cash payment to be made by the LLP from the proceeds of the relevant Term Advance and/or from Available Principal Receipts unless an Asset Coverage Test Breach Notice has been served and remains outstanding; and/or

- (ii) the relevant Seller being treated as having made a Capital Contribution in Kind in an amount equal to the difference between the True Balance of the Loans sold by that Seller as at the relevant Transfer Date and the cash payment (if any) made by the LLP to that Seller; and
 - (iii) Deferred Consideration.
- (b) Second, prior to service of an Asset Coverage Test Breach Notice on the LLP (which remains outstanding), the LLP will use the Available Principal Receipts to acquire Additional Loan Advances, Flexible Loan Drawings and New Loans and their Related Security from the Sellers and/or Substitution Assets (in respect of any Substitution Assets, up to the prescribed limit) on each Business Day subject to providing for payment in respect of paragraph (a) of the Pre-Acceleration Principal Priority of Payments.
- (c) Third, the LLP and RBS (in its capacity as a Member of the LLP) are required to ensure that the Portfolio is maintained at all times in compliance with the Asset Coverage Test (as determined by the Cash Manager on each Calculation Date). If on any Calculation Date there is a breach of the Asset Coverage Test, RBS (in its capacity as a Seller) will use all reasonable endeavours to offer to sell sufficient New Loans and their Related Security to the LLP (or procure the sale of such Loans by NWHL) on or before the next Calculation Date in consideration of RBS or NWHL (as applicable) being treated as having made a Capital Contribution in Kind (in an amount equal to the True Balance of the New Loans) sold by that Seller as at the relevant Transfer Date and in consideration of the right to receive the Deferred Consideration.

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

The Sellers will also be required to repurchase Loans and their Related Security sold to the LLP in the circumstances described below under "*Repurchase of Loans*". If NWHL fails to repurchase a Loan in the circumstances described below under "*Repurchase of Loans*", then RBS will have the option to repurchase the relevant Loan.

Eligibility Criteria

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

- (a) no Issuer Event of Default or LLP Event of Default under the Transaction Documents shall have occurred which is continuing as at the relevant Transfer Date;
- (b) the LLP, acting on the advice of the Cash Manager, is not aware that the purchase of the Loans and their Related Security, would adversely affect the then current ratings by Moody's or Fitch of the Covered Bonds;
- (c) the weighted average yield on the Loans in the Portfolio (including the New Loans) is at least 0.15% greater than LIBOR for one month Sterling deposits after taking into account (i) the weighted average yield on the Loans and (ii) the weighted average margins on the Interest Rate Swaps and (iii) the average yield on any Substitution Assets held by the LLP;
- (d) no Loan has a True Balance of more than £2,600,000;
- (e) no Loan to be sold on the First Transfer Date nor any subsequent Transfer Date relates to a Property which is not a residential Property;

- (f) as at the Transfer Date the aggregate True Balance of those Loans in the Portfolio (including the loans which it is proposed will be New Loans) which are RBSG Staff Loans will not exceed 5% of the aggregate True Balance of all of the Loans in the Portfolio as at that date;
- (g) as at the Transfer Date, the aggregate True Balance of those Loans in the Portfolio (including the loans which it is proposed will be New Loans) which are Payment Holiday Loans will not exceed 2% of the aggregate True Balance of all of the Loans in the Portfolio as at that date; and
- (h) no Loan constitutes a New Loan Type, in respect of which the Rating Condition has not been satisfied in accordance with the terms of the Mortgage Sale Agreements.

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

If the conditions set out in conditions (f) and/or (g) are breached on the relevant Transfer Date, such conditions shall be deemed to be satisfied or waived and there will be deemed to be a material breach of warranty in respect of any RBSG Staff Loans and/or Payment Holiday Loans in the Portfolio to the extent that it would cause a breach of the relevant threshold.

If a Seller accepts an application from or makes an offer (which is accepted) to a Borrower for a Product Switch, Flexible Loan Drawing or Additional Loan Advance, then if the Eligibility Criteria referred to in paragraphs (c), (d), (e),(f), (g) and (h) above relating to the Loan subject to that Product Switch, Flexible Loan Drawing or Additional Loan Advance is not satisfied on the next following Calculation Date, the LLP will be entitled to rectify the relevant breach of those Eligibility Criteria by (in the event of a breach of the Eligibility Criteria in paragraphs (d), (e), (f), (g) and (h) above) requiring the relevant Seller to repurchase the Loans subject to any Product Switch, Flexible Loan Drawing or Additional Loan Advance or (in the event of a breach of the Eligibility Criteria in paragraph (c) above) by requiring RBS (in its capacity as a Seller) to transfer or procure the transfer of further Loans to the LLP in an amount sufficient to ensure that the Eligibility Criterion in paragraph (c) above is met.

Transfer of Title to the Loans to the LLP

English Loans will be sold by the Sellers to the LLP by way of equitable assignment. Scottish Loans will be sold by the Sellers to the LLP on the First Transfer Date by way of Scottish Declarations of Trusts and, in relation to Scottish Loans sold by the Seller to the LLP after the First Transfer Date, by further Scottish Declarations of Trust, under which the Seller declares a trust over the Scottish Loans and holds such Scottish Loans on trust for the benefit of the LLP and accordingly, the beneficial interest in such Scottish Loans will be transferred to the LLP. In relation to Scottish Loans, references in this document to a sale of Loans or to Loans having been sold are to be read as references to the making of such Scottish Declarations of Trust and transfer of the beneficial interest in such Scottish Loans to the LLP. Such beneficial interest (as opposed to the legal title) cannot be registered or recorded in the Registers of Scotland. Until the LLP has given notice to the Sellers that it has obtained the requisite licence under the CCA, RBS, in respect of the English RBS Loans and NWHL, in respect of the English NWHL loans will hold the English RBS Loans and the English NWHL Loans, as applicable on trust for the LLP under the CCA Trusts. Following receipt of notice from the LLP that it has obtained such licence, the CCA Trusts will terminate and the equitable assignment and transfer of the beneficial title referred to above will automatically take effect. Legal title to all of the Loans and their Related Security will remain with the relevant Seller until legal assignments or assignments (as appropriate) are effected between the relevant Sellers and the LLP and notice of the sale is given by or on behalf of the LLP to the Borrowers. If such a CCA licence has not been obtained upon the occurrence of one or more of the events referred to in paragraphs (a) to (g) below, notice of the LLP's beneficial interest in the CCA Trust and in any Scottish Declarations of Trust will be given by or on behalf of the LLP to the Borrowers and legal assignments or assignments of the Loans and notice of the sale will only be given to the Borrowers upon such licence being obtained. Legal assignment or assignment (as appropriate) of the Loans and their Related Security (including, where appropriate, their registration or recording in the relevant

property register) to the LLP will accordingly be deferred and will only take place in the limited circumstances described in this paragraph and below.

Subject as described in the above paragraph, legal assignment or assignment (as appropriate) of the Loans and their Related Security to the LLP (or, where specified, of the Selected Loans and their Related Security) will be completed on or before the 20th Business Day after the later to occur of the date the LLP gives notice to the Sellers that it has obtained the requisite licence under the CCA and the earliest of the following:

- (a) the occurrence of an Issuer Event of Default under Condition 9(a) and service on the Issuer of an Issuer Acceleration Notice and the service on the LLP of a Notice to Pay, unless the relevant Seller has notified the LLP that it will accept an offer set out in any Selected Loan Offer Notice within the prescribed time;
- (b) in respect of Selected Loans only, at the request of the LLP following the acceptance of any offer to sell the Selected Loans and their Related Security to any person who is not a Seller;
- (c) the Sellers and/or the LLP being required: (i) by law; (ii) by an order of a court of competent jurisdiction; (iii) by a regulatory authority which has jurisdiction over the Sellers; or (iv) by any organisation of which the Sellers are a member, or whose members comprise, but are not necessarily limited to, mortgage lenders and with whose instructions it is customary for the Sellers to comply, to perfect legal title to the Loans;
- (d) the date on which RBS ceases to be assigned a long-term unsecured, unsubordinated debt obligation rating by Moody's of at least Baa3 or by Fitch of at least BBB-;
- (e) (unless otherwise agreed by the Security Trustee) the termination of a Seller's role as Servicer under the Servicing Agreement in respect of the Loans sold by it to the LLP unless the substitute Servicer is a member of the RBS Group;
- (f) the occurrence of an Insolvency Event in respect of (in relation to the RBS Loans) RBS or, as applicable RBS and/or NWHL (in relation to the NWHL Loans); and
- (g) the relevant Seller requesting a transfer by way of assignment or assignment (as appropriate) by giving notice in writing to the LLP and the Security Trustee.

Pending completion of the transfer, the right of the LLP to exercise the powers of the legal owner of, or (in Scotland) the heritable creditor under, the Loans and the related Mortgages will be secured by, or (in Scotland) supported by, an irrevocable powers of attorney granted by each Seller in favour of the LLP and the Security Trustee.

Except where lodged with the relevant registry in relation to any registration or recording which may be pending at the Land Registry or the Registers of Scotland, and save in relation to Loans which are Dematerialised Loans, the Title Deeds and Loan Files relating to the Loans in the Portfolio will be held by or to the order of the relevant Seller or the Servicers, as the case may be, or by solicitors, licensed conveyancers or (in Scotland) qualified conveyancers acting for the Seller in connection with the creation of the Loans and their Related Security. Each Seller or the Servicers, as the case may be, will undertake that, save in relation to Loans which are Dematerialised Loans, all the Title Deeds and Loan Files relating to the Loans in the Portfolio which are at any time in their possession or under their control or held to their order will be held to the order of the Security Trustee or as the Security Trustee may direct.

Representations and warranties

None of the LLP, the Security Trustee or the Bond Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Loans and their Related Security to be sold to the LLP. Instead, each is relying entirely on the representations and warranties given by each Seller contained

its respective Mortgage Sale Agreement. The parties to the Mortgage Sale Agreements may, with the prior written consent of the Security Trustee (which shall be given if the Rating Condition has been satisfied in respect of the proposed amendment), amend the representations and warranties in the relevant Mortgage Sale Agreement. The principal representations and warranties are as follows and are given on the relevant Transfer Date in respect of the Loans and Related Security to be sold to the LLP only on that date and on the Calculation Date following the making of any Additional Loan Advance or Product Switch in respect of the Loan to which the Additional Loan Advance or Product Switch relates only:

- each Loan was originated or purchased by the relevant Seller in the ordinary course of business not less than one calendar month prior to the relevant Transfer Date and was denominated in pounds Sterling upon origination or acquisition (or was denominated in euro upon origination or acquisition if the euro has been adopted as the lawful currency of the United Kingdom);
- at least one monthly payment due in respect of each Loan has been paid by the relevant Borrower;
- no Loan has a True Balance of more than £2,600,000;
- no Loan in the Portfolio is an Off-Set Loan;
- prior to the making of each advance under a Loan, the Lending Criteria and all preconditions to the making of any Loan were satisfied in all material respects subject only to exceptions and waivers as would be acceptable to a Reasonable, Prudent Mortgage Lender;
- the True Balance on each Loan and its Related Security constitute a legal, valid, binding and enforceable debt due to the relevant Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute valid and binding obligations of the Borrower enforceable in accordance with their terms and non-cancellable except that enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the court's discretion in relation to equitable remedies;
- all approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by the Transaction Documents from the relevant Seller to the LLP, of the Loans and their related Mortgages to be sold under the relevant Mortgage Sale Agreement have been obtained or taken and there is no requirement in order for the transfer to be effective to obtain the consent of the Borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the Loans and their related Mortgages and such transfer or disposal shall not give rise to any claim by the Borrower against the LLP, the Security Trustee or any of their successors in title or assigns;
- all of the Properties are located in England, Wales or Scotland;
- all of the Borrowers are individuals (and not partnerships) and were aged 18 years or older at the date he or she executed the relevant Mortgage;
- none of the terms in any Loan or its Related Security is not binding by virtue of it being unfair within the meaning of the UTCCR (except that the Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest or its right to unilaterally revoke its consent to letting);
- to the extent that any Loan and its Related Security and any guarantee in relation to that Loan is subject to UTCCR no action (whether formal or informal) has been taken by the OFT or by a qualifying body as defined in the 1999 Regulations against the Seller, pursuant to the UTCCR or otherwise which might prevent or restrict the use in such agreement of any material term or the enforcement of any such term;

- not more than 12 months (or two years in the case of a Re-Mortgage or Additional Loan Advance made prior to the relevant Transfer Date) prior to the granting of each Mortgage, the relevant Seller received a Valuation Report on the relevant Property (or another form of report concerning the valuation of the relevant Property as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender (except in relation to newly built properties where no such valuation was received, and in respect of which the relevant Seller shall have received confirmation of the purchase price of the relevant property from the solicitor responsible for registering the Seller's security in relation to such property);
- Prior to the inception of each Mortgage, the relevant Seller:
 - instructed its solicitor or licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant Mortgaged Property and to undertake such other searches, investigation, enquiries and other actions on behalf of the relevant Seller as are set out in the instructions which such Seller issued to the relevant solicitor, licensed conveyancer or qualified conveyancer as are set out in the case of English Loans in the CML's Lenders' Handbook for England and Wales and, in the case of Scottish Loans, the CML's Lenders' Handbook for Scotland (or such comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place), subject only to such variations as would have been acceptable to a Reasonable, Prudent Mortgage Lender at the relevant time; and
 - received a report on title from the solicitor or licensed conveyancer or (in Scotland) qualified conveyancer referred to above, relating to such Mortgaged Property the contents of which were such as would have been acceptable to a Reasonable, Prudent Mortgage Lender at that time;
- each Property was at the time of inception of the Mortgage insured under:
 - a Buildings Insurance Policy arranged by the Borrower in accordance with the Mortgage Conditions; or
 - a Buildings Insurance Policy arranged by the relevant Seller; or
 - with respect to leasehold Mortgaged Properties, a Buildings Insurance Policy arranged by the relevant landlord,

and in all cases: (i) against risks usually covered by a comprehensive building insurance policy; (ii) with the interest of the Seller noted thereon with effect from the origination of the relevant Loan in the event that it exceeds £1,500,000; and (iii) the Seller has received no notice from the Borrower that any Property has ceased to be insured at all;
- immediately prior to the purchase of any Loan and the Related Security by the LLP, and subject to registration or recording at the Land Registry the relevant Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Loans and Related Security agreed to be sold and/or assigned by the Seller to the LLP pursuant to the relevant Mortgage Sale Agreement free and clear of all Security Interests, claims and equities (including, without limitation, rights of set-off or counterclaim and overriding interests within the meaning of either Section 3(xvi) of the Land Registration Act, subject only to the relevant Mortgage Sale Agreement and the Borrower's equity of redemption and the relevant Seller is not in breach of any covenant implied by reason of its selling the relevant Portfolio with full title guarantee or, in the case of any Scottish Loans, with absolute warrandice;

- the relevant Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records as are necessary to show all material transactions, payments, receipts, proceedings and notices relating to such Loan;
- there are no governmental authorisations, approvals, licences or consents required as appropriate for the relevant Seller to enter into or to perform its obligations under the Mortgage Sale Agreements or to make the Mortgage Sale Agreements legal, valid, binding, enforceable and admissible in evidence in a court in England and Wales which have not been obtained;
- each Loan and its Related Security will be "eligible property" for the purposes of Regulation 2 of the RCB Regulations;
- the rate of interest under each Loan is charged in accordance with the Standard Documentation, subject to the terms of any offer letter in relation thereto; and

If New Loan Types are to be sold to the LLP, then the representations and warranties in the relevant Mortgage Sale Agreement will be modified as required to accommodate these New Loan Types. The prior consent of the Covered Bondholders to the requisite amendments will not be required to be obtained.

Repurchase of Loans

If a Seller receives a Repurchase Notice from the Cash Manager identifying a Loan or its Related Security in the Portfolio which does not, as at the relevant Transfer Date or relevant Calculation Date (in the case of an Additional Loan Advance, Flexible Loan Drawing or Product Switch), materially comply with the Representations and Warranties set out in the Mortgage Sale Agreements, then the relevant Seller will be required to repurchase: (i) any such Loan and its Related Security; and (ii) any other Loans of the relevant Borrower and their Related Security that are included in the Portfolio that are in breach of the Representations and Warranties. The repurchase price payable upon the repurchase of any Loan is an amount (not less than zero) equal to the True Balance plus Accrued Interest and Arrears of Interest thereof as at the relevant repurchase date. The repurchase proceeds received by the LLP will be applied (other than Accrued Interest and Arrears of Interest) in accordance with the Pre-Acceleration Principal Priority of Payments (see "*Cashflows*" below).

In addition to the foregoing circumstances, a Seller will also be required to repurchase a Loan or Loans and its or their Related Security sold by that Seller to the LLP where:

- (a) an Additional Loan Advance, Flexible Loan Drawing or a Product Switch made in respect of a Loan results in certain Eligibility Criteria being breached;
- (b) a proposed Product Switch, Flexible Loan Drawing or Additional Loan Advance would result in the LLP being required to be regulated by the FSA by reason of it entering into a regulated mortgage contract. In these circumstances, if the relevant Seller or Borrower accepts an offer for the Product Switch, the Servicers or administrator (as the case may be) will notify the LLP and the relevant Seller will be required to repurchase the affected Loan or Additional Loan Advance before the Product Switch takes place.

Defaulted Loans

If a Seller receives a Defaulted Loans Notice from the Cash Manager or, where the Sellers are in the same group as the Cash Manager, a schedule, in each case, identifying any Defaulted Loan, then that Defaulted Loan will be attributed a reduced weighting in the calculation of the Asset Coverage Test and the Amortisation Test as at the relevant Calculation Date. In addition, a Seller may, at its option, offer to repurchase a Defaulted Loan and its Related Security from the LLP for an amount equal to its True Balance plus Accrued Interest and Arrears of Interest as at the date of repurchase.

General ability to repurchase

Prior to the occurrence of an Issuer Event of Default, a Seller may from time to time offer to repurchase a Loan and its Related Security sold by it to the LLP from the LLP for a purchase price of not less than the aggregate True Balance plus Accrued Interest and Arrears of Interest of the relevant Loan. In addition RBS (in its capacity as a Seller) may from time to time offer to repurchase a Loan and its Related Security sold by NWHL to the LLP from the LLP for a purchase price of not less than its True Balance plus Accrued Interest and Arrears of Interest at the date of its repurchase if it so elects to. The LLP may accept any such offers at its discretion.

Right of Pre-emption

Under the terms of each Mortgage Sale Agreement, each Seller has a right of pre-emption in respect of any sale, in whole or in part, of Selected Loans and their Related Security. In addition, RBS has a right of pre-emption in respect of the NWHL Loans, to the extent that NWHL declines its option to repurchase the NWHL Loans.

The LLP will serve on a Seller a Selected Loan Offer Notice offering to sell those Selected Loans and their Related Security for an offer price equal to (a) where the Selected Loan 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 Loans, together with all Accrued Interest and Arrears of Interest thereon, and the Adjusted Required Redemption Amount; (b) where the Selected Loan Offer Notice is given following the service of an Asset Coverage Test Breach Notice but prior to the service of a Notice to Pay, the True Balance of the Selected Loans, together with all Accrued Interest and Arrears of Interest thereon; or (c) where the Selected Loan Offer Notice is given following the service of a Notice to Pay, the greater of the True Balance of the Selected Loans, together with all Accrued Interest and Arrears of Interest thereon, and the Adjusted Required Redemption Amount, in each case subject to the offer being accepted by the relevant Seller within 10 London Business Days. If NWHL declines the offer, RBS will have an additional 5 London Business Days to accept the offer relating to the NWHL Loans. If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to RBS or NWHL, as the case may be, or, in respect of RBS, no bank liquidator or bank administrator has been appointed to RBS's, or, as the case may be, NWHL's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by RBS, or as the case may be, NWHL of a solvency certificate to the LLP and the Security Trustee. If the Sellers rejects the LLP's offer or fail to accept it in accordance with the foregoing, the LLP will offer to sell the Selected Loans and their Related Security to other Purchasers (as described under "*LLP Deed – Sale of Selected Loans and their Related Security following the occurrence of an Issuer Event of Default*", below).

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

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 in connection with the Pre-Maturity Test, amounts standing to the credit of the Pre-Maturity Liquidity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds; or
- (B) in respect of a sale following service of a Notice to Pay, amounts standing to the credit of the Deposit 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); and

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 Loans

The relevant Seller is solely responsible for funding all Additional Loan Advances and Flexible Loan Drawings in respect of Loans sold by that Seller to the LLP, if any. The amount of a Seller's Capital Contribution will increase by the amount of the funded Additional Loan Advances.

New Sellers

The sale of New Loans and their Related Security by New Sellers to the LLP will be subject to certain conditions, including the following:

- each New Seller accedes to the terms of the LLP Deed as a Member (with such subsequent amendments as may be agreed by the parties thereto) so that it has, in relation to those New Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Sellers have in relation to those Loans and their Related Security comprised in the Initial Portfolio under the LLP Deed;
- each New Seller accedes to the terms of the Mortgage Sale Agreements (with such subsequent amendments as may be agreed by the parties thereto) or enters into a new mortgage sale agreement with the LLP and the Security Trustee, in each case so that it has, in relation to those New Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Sellers had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the Mortgage Sale Agreements;

- 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 New Loans and their Related Security sold by a New Seller to the LLP comply with the Eligibility Criteria and representations and warranties equivalent to the Representations and Warranties set out in the Mortgage Sale Agreements;
- either the Servicers service the New Loans and their Related Security sold by a New Seller on the terms set out in the Servicing Agreement (with such subsequent amendments as may be agreed by the parties thereto) or the New Seller (or its nominee) enters into a servicing agreement with the LLP and the Security Trustee which sets out the servicing obligations of the New Seller (or its nominee) in relation to the New Loans and their Related Security and which is on terms substantially similar to the terms set out in the Servicing Agreement (fees payable to the Servicers or the New Seller (or its nominee) acting as servicer of such New Loans and their Related Security would be determined on the date of the accession of the New Seller to the Programme); and
- 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 will be governed by English law (other than certain aspects relating to the Scottish Loans and their Related Security, which are governed by Scots law).

Servicing Agreement

Pursuant to the terms of the Servicing Agreement entered into on the Initial Programme Date between the LLP, each of RBS and NWHL (each in its capacity as a Servicer) and the Security Trustee, the Servicers have agreed to service on behalf of the LLP (and, in the case of the Loans for so long as they are subject to the CCA Trusts, on behalf of the relevant Seller in its capacity as trustee of the CCA Trusts on the instructions of the LLP as beneficiary thereunder) the Loans and their Related Security sold by that Seller to the LLP.

A Servicer may, in some circumstances, delegate some or all of its responsibilities and obligations under the Servicing Agreement. However, the relevant Servicer will remain liable at all times for the servicing of the relevant Loans and for the acts and omissions of any delegate or such contractor. As at the Initial Programme Date, NWHL has delegated its obligations to perform the servicing obligations to RBS under the Delegation Agreement.

The Servicers will be required to administer the Loans in accordance with the Servicing Agreement and:

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

The Servicers' actions in servicing the Loans in accordance with its procedures will be binding on the LLP and the Secured Creditors.

Each Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the LLP in relation to the Loans and their Related Security that it is servicing pursuant to the terms of the Servicing Agreement, and to do anything which it reasonably considers necessary or convenient or incidental to the administration of those Loans and their Related Security.

Undertakings of the Servicer

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

- act as collection agent under the Direct Debiting Scheme;
- notify Borrowers of changes in their monthly payment;
- keep records and accounts on behalf of the LLP in relation to the Loans;
- keep the Loan Files and Title Deeds in their possession or under its control in safe custody and maintain records necessary to enforce each Mortgage and to provide the LLP and the Security Trustee with access to the Title Deeds (other than Title Deeds in relation to Loans which are Dematerialised Loans) and other records relating to the administration of the Loans and their Related Security;
- assist the auditors of the LLP;
- maintain a register in respect of the Portfolio;
- make available upon request to the LLP and the Security Trustee a report on a monthly basis containing information about the Loans and their Related Security comprised in the Portfolio;
- provide to the FSA such information about the Loans and their Related Security contained in the Portfolio and/or such other information as the FSA may direct pursuant to the RCB Regulations;
- assist the Cash Manager in the preparation of a monthly asset coverage report and the Quarterly Investor Report in accordance with the Cash Management Agreement;
- take all reasonable steps to recover all sums due to the LLP, including instituting proceedings and enforcing any relevant Loan or Mortgage using the discretion of a Reasonable, Prudent Mortgage Lender in applying the enforcement procedures forming part of the Seller's policy; and
- enforce any Loan which is in default in accordance with the relevant Seller's enforcement procedures or, to the extent that such enforcement procedures are not applicable having regard to the nature of the default in question, with the usual procedures undertaken by a Reasonable, Prudent Mortgage Lender on behalf of the LLP.

Setting of Seller Standard Variable Rate and other discretionary rates and margins

Pursuant to the terms of the Mortgage Sale Agreement and in accordance with Mortgage Conditions applicable to certain of the Loans, each Seller has prescribed policies relating to interest rate setting, arrears management and handling of complaints which the LLP (and any subsequent purchaser thereof) will be required to adhere to following the transfer of Loans and their Related Security. Such arrears management and handling of complaints policies are consistent with those to be applied by the Servicers under the terms of the Servicing Agreement. The interest rate setting policy specified in the Mortgage Sale Agreements is only applicable to Loans with interest rates which may be varied from time to time in the discretion of the lender.

In addition to the undertakings described above, the Servicers have also undertaken in the Servicing Agreement to determine and set in relation to all the Loans in the Portfolio the LLP Variable Rate and any other discretionary rates and margins (in accordance with the policy to be adhered to by the LLP above) except in the limited circumstances described below in this subsection when the LLP will be entitled to do so. The Servicers will not at any time prior to service of a Notice to Pay on the LLP and/or the transfer of

legal title to the Portfolio (or any part thereof) to the LLP, without the prior consent of the LLP, set or maintain:

- (i) the LLP Variable Rate in respect of Discounted Rate Loans and Variable Rate Loans (excluding any RBS 100% Variable Rate Loans or NWHL Buy-to-Let Variable Rate Loans) applicable to the Loans sold by a Seller to the LLP and in the Portfolio at a rate which is higher than (although it may be lower than or equal to) the then prevailing Seller Standard Variable Rate of the relevant Seller which applies to mortgage loans beneficially owned by that Seller outside the Portfolio;
- (ii) the LLP Variable Rate, in respect of Variable Rate Flexible Loans at a rate which is higher than (although it may be lower than or equal to) the then prevailing relevant Seller Flexible Choice Rate which applies to loans beneficially owned by the relevant Seller outside the Portfolio;
- (iii) (in the case of RBS only) the LLP Variable Rate, in respect of the relevant RBS 100% Variable Rate Loans at a rate which is higher than (although it may be lower than or equal to) the then prevailing RBS 100% Standard Variable Rate which applies to loans beneficially owned by RBS outside the Portfolio;
- (iv) (in the case of NWHL only) the LLP Variable Rate, in respect of the NWHL Buy-to-Let Variable Rate Loans, at a rate which is higher than (although it may be lower than or equal to) the then prevailing relevant NWHL Buy-To-Let Variable Rate which applies to loans beneficially owned by NWHL outside the Portfolio;
- (v) a margin in respect of any relevant Tracker Rate Loan after the fixed tracker period (where applicable), Capped Rate Loans or Discounted Rate Loans which, where the relevant offer conditions provide that the margin shall be the same as the margin applicable to all other loans having the same offer conditions in relation to interest rate setting, is higher or lower than the margin then applying to those loans beneficially owned by the relevant Seller outside the Portfolio;
- (vi) a margin in respect of any relevant Tracker Rate Loan after the fixed tracker period (where applicable), Capped Rate Loans or Discounted Rate Loans which is higher than (although it may be lower than or equal to) the margin which would then be set in accordance with the relevant Seller's Policy from time to time in relation to those types of loans beneficially owned by the relevant Seller outside the Portfolio; and
- (vii) any other discretionary rate or margin in respect of any other Loan sold by a Seller to the LLP and in the Portfolio which is higher than (although it may be lower than or equal to) the interest rate or margin which applies to that type of mortgage loan beneficially owned by the relevant Seller outside the Portfolio.

In particular, the Servicers shall jointly determine on each Calculation Date, having regard to:

- (c) the income which the LLP would expect to receive during the next succeeding LLP Payment Period (the Relevant LLP Payment Period);
- (d) the LLP Variable Rate in respect of the Variable Rate Loans (including the RBS 100% Variable Rate Loans and the NWHL Buy-to-Let Variable Rate Loans), the Variable Rate Flexible Loans, the Capped Rate Loans and the Discounted Rate Loans and any other discretionary rate or margin in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the Relevant LLP Payment Period;
- (e) the NatWest Base Rate and the BoE Base Rate (as applicable) in respect of the Tracker Rate Loans; and

- (f) 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 (1) the amount of interest which would be payable (or provisioned to be paid) under the Intercompany Loan on each LLP Payment Date falling at the end of the Relevant LLP Payment Period and relevant amounts payable (or provisioned to be paid) to the Covered Bond Swap Providers under the Covered Bond Swap(s) in respect of each Series of Covered Bonds with a Covered Bond Swap(s) in place on each LLP Payment Date of each Series of Covered Bonds falling at the end of the Relevant LLP Payment Period and (2) the other senior expenses payable by the LLP ranking in priority thereto in accordance with the relevant Priority of Payments applicable prior to an LLP Event of Default and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security.

If the Servicers jointly determine that there will be a shortfall in the foregoing amounts, they will give written notice to the LLP and the Security Trustee, within two London Business Days, of the amount of the shortfall. If the LLP or the Security Trustee notifies the Servicers and RBS that, having regard to the obligations of the LLP and the amount of the shortfall, further Loans and their Related Security should be sold by RBS to the LLP pursuant to the RBS Mortgage Sale Agreement, RBS (in its capacity as a Seller) will use all reasonable endeavours to offer to sell New Loans and their Related Security to the LLP (or procure the sale by NWHL of New Loans and their Related Security to the LLP) on or before the next Calculation Date which have a Seller Standard Variable Rate and/or other discretionary rates or margins sufficient to avoid such shortfall on future Calculation Dates. In consideration of such sale, RBS and/or, as applicable, NWHL will be treated as having made a Capital Contribution (in an amount equal to the True Balance of the New Loans) sold by the relevant Seller as at the relevant Transfer Date and will be entitled to receive the Deferred Consideration.

In addition, the Servicers shall jointly determine on each Calculation Date following an Issuer Event of Default, having regard to the aggregate of:

- (a) the LLP Variable Rate in respect of the Variable Rate Loans (including the RBS 100% Variable Rate Loans and the NWHL Buy-to-Let Variable Rate Loans), the Variable Rate Flexible Loans, the Capped Rate Loans and the Discounted Rate Loans and any other discretionary rate or margin, in respect of the Loans which the Servicers propose to set under the Servicing Agreement for the relevant LLP Payment Period;
- (b) the NatWest Base Rate and the BoE Base Rate (as applicable) in respect of the Tracker Rate Loans;
- (c) the other resources available to the LLP including the Interest Rate Swap Agreement,

whether the LLP would receive an aggregate amount of interest on the Loans and amounts under the Interest Rate Swaps during the Relevant LLP Payment Period which would give an annual yield on the Loans of at least LIBOR plus 0.15%.

If the Servicers jointly determine that the Yield Shortfall Test will not be met, it will give written notice to the LLP and the Security Trustee, within two London Business Days, of the amount of the shortfall and the LLP Variable Rate and the other discretionary rates or margins which would, in the Servicers' opinion, need to be set in order for no shortfall to arise, and the Yield Shortfall Test to be met, having regard to the date(s) on which the change to the LLP Variable Rate and the other discretionary rates or margins would take effect and at all times acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender. If the LLP notifies the Servicers that, having regard to the obligations of the LLP, the LLP Variable Rate and/or the other discretionary rates or margins should be increased, the relevant Servicer or replacement Servicer, as the case may be, will take all steps which are necessary to increase the LLP Variable Rate and/or any other discretionary rates or margins including publishing any notice which is required in accordance with the Mortgage Conditions.

The LLP and the Security Trustee (to the extent it has actual knowledge of the occurrence of a Servicer Event of Default) may terminate the authority of a Servicer to determine and set the LLP Variable Rate and any other variable rates or margins on the occurrence of a Servicer Event of Default as defined under "*Removal or resignation of the Servicer*", in which case the LLP and the Security Trustee will agree to appoint the replacement Servicer to set the LLP Variable Rate and the other discretionary rates or margins itself.

Compensation

As full compensation for their servicing duties and activities and as reimbursement for any expense incurred by them in connection therewith, the Servicers or any substitute servicer which is a member of the RBS Group is entitled to receive the fee from the LLP as set out in Servicing Agreement. If, however, a servicer is appointed from outside the RBS Group, the level of this fee may be changed.

Removal or resignation of the Servicer

The LLP and the Security Trustee may, upon written notice to the relevant Servicer, terminate that Servicer's rights and obligations immediately if any of the following events (each a **Servicer Termination Event** and, each of the first three events set out below, a **Servicer Event of Default**) occurs:

- the relevant 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 ten (10) London 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 relevant 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 London 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;
- an Insolvency Event occurs in relation to the relevant Servicer; or
- the LLP resolves that the appointment of the relevant Servicer should be terminated.

Subject to the fulfilment of a number of conditions, a 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 a Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by Extraordinary Resolution.

If the appointment of a Servicer is terminated, that Servicer must deliver the Title Deeds and Loan Files relating to the Loans administered by it to, or at the direction of, the LLP. The Servicing Agreement will terminate at such time as the LLP has no further interest in any of the Loans or their Related Security sold to the LLP and serviced under the Servicing Agreement that have been comprised in the Portfolio.

NWHL and RBS will enter into a delegation agreement pursuant to which NWHL will delegate all its servicing functions under the Servicing Agreement to RBS.

Neither the Bond Trustee nor the Security Trustee is obliged to act as servicer in any circumstances. The Servicing Agreement is governed by English law and will be made by way of deed.

Back-up Servicing Agreement

If RBS ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa1 or by Fitch of at least BBB-, it will use reasonable endeavours to enter, within 60 calendar days of such downgrade, into a back-up master servicing agreement with a suitably experienced third party servicer acceptable to the LLP and the Security Trustee. The back-up master servicing agreement will provide for such suitably experienced third party servicer to undertake the servicing or master servicing obligations in relation to the Portfolio within 60 calendar days of RBS ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 or by Fitch of at least BBB-.

Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into on the Initial Programme Date between the Asset Monitor, the LLP, the Cash Manager and the Security Trustee, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Cash Manager to the Asset Monitor, to report on the arithmetic accuracy of the calculations performed by the Cash Manager on the Calculation Date immediately prior to each anniversary of the Initial Programme Date with a view to confirmation of compliance by the LLP with the Asset Coverage Test on that Calculation Date.

For so long as RBS is acting as Cash Manager, if the long-term ratings of the Cash Manager fall below Baa3 by Moody's or 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 Cash Manager, be required to report on such arithmetic accuracy following each Calculation Date and, following a determination by the Asset Monitor of any errors in the calculations performed by the Cash Manager such that the Asset Coverage Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Aggregate Adjusted Asset Amount is mis-stated by an amount exceeding 1 per cent. of the Aggregate Adjusted Asset 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 Cash Manager for the purpose of reporting on the arithmetic accuracy is true and correct and not misleading, and is not required to report as such or otherwise take steps to verify the accuracy of any such information. The Asset Monitor Report will be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee.

As of the Initial Programme Date, the LLP will pay to the Asset Monitor a fee of up to £5,000 per report (exclusive of VAT) for the reports to be performed by the Asset Monitor.

The LLP may, at any time, only with the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by giving at least 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.

Upon giving notice of resignation, the Asset Monitor shall immediately use its best endeavours to appoint a replacement (such replacement to be approved by the Security Trustee 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. If a replacement is not appointed by the date which is 30 days prior to the date when tests are to be carried out in accordance with the terms of the Asset Monitor Agreement, then the LLP shall use all reasonable endeavours to appoint an accountancy firm of national standing to carry out the relevant tests on a one-off basis, provided that such appointment is approved by the Security Trustee.

Neither the Bond Trustee nor the Security Trustee will be obliged to act as Asset Monitor in any circumstances.

The Asset Monitor Agreement will be governed by English law.

LLP Deed

The Members of the LLP have agreed to operate the business of the LLP in accordance with the terms of a limited liability partnership deed entered into on the Initial Programme Date between the LLP, NWHL, RBS, the Liquidation Member, the Bond Trustee and the Security Trustee (the **LLP Deed**).

Members

As at the Initial Programme Date, each of RBS, NWHL 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. RBS and the Liquidation Member are designated members (each a **Designated Member**, and together with any other designated members from time to time, the **Designated Members**) of the LLP. The Designated Members shall have such duties as are specified in the LLPPA 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 RBS, 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 RBS and NWHL (each 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 Loans to the LLP). The amount of Capital Contributions attributable to each of the Members shall be calculated in Sterling on each Calculation Date in accordance with the formula set out in the LLP Deed. The sum of the Capital 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 Receipts standing to the credit of the LLP Accounts plus the principal amount of Substitution Assets and Authorised Investments as at the last day of the immediately preceding Calculation Period and (b) the Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds as at the last day of the preceding Calculation Period.

If at any time, RBS is acting as the Cash Manager and a Cash Manager Relevant Event occurs and is continuing RBS in its capacity as a Member of the LLP will:

- (a) within 5 London Business Days of the occurrence of the Cash Manager Relevant Event, notify the LLP, the Security Trustee, the Account Bank and each Covered Bond Swap Provider of such event;
- (b) within 10 London Business Days of the occurrence of the Cash Manager Relevant Event make a Cash Capital Contribution to the LLP in an aggregate amount equal to the Required Coupon Amount for each Series of Covered Bonds payable on the immediately succeeding Interest Payment Date and/or payment date specified in the Covered Bond Swap which relates to such Series of Covered Bonds (each a **Relevant Payment Date**); and
- (c) thereafter if a Required Coupon Amount Shortfall exists in respect of (a) any Series of Covered Bonds and/or (b) any Covered Bond Swap, within 5 London Business Days of receipt by RBS of notification from the Cash Manager (on behalf of the LLP) that the occurrence of a Required

Coupon Amount Shortfall exists, make a Cash Capital Contribution to the LLP in an aggregate amount equal to the Required Coupon Amount Shortfall.

Any such Cash Capital Contribution representing Required Coupon Amounts will be treated as a revenue item but will not form part of Available Revenue Receipts.

Within 1 London Business Day of receipt of such Cash Capital Contribution from RBS (as a Member of the LLP), the LLP will (or will procure that the Cash Manager will) transfer to the Deposit Account (for credit to the Coupon Payment Ledger) an amount equal to the amount of the Cash Capital Contribution received by the LLP from RBS (in its capacity as a Member of the LLP) in respect of items (b) and (c) above.

While a Cash Manager Relevant Event is continuing (but prior to the service of a Notice to Pay or an LLP Acceleration notice on the LLP) the LLP will, on each LLP Payment Date, to the extent of Available Revenue Receipts (taking into account amount to be paid in priority to any credit to the Coupon Payment Ledger) fund the Coupon Payment Ledger in an amount up to the Required Coupon Amount for the next following Relevant Payment Date(s) subject to and in accordance with the Pre-Acceleration Revenue Priority of Payments.

Within 1 London Business Day of receipt of a Cash Capital Contribution from RBS under (b) above; or (where either (x) there is no Required Coupon Amount Shortfall; or (y) receipt of a Cash Capital Contribution from RBS occurs prior to the Relevant Payment Date in question) each Relevant Payment Date on which a Cash Manager Relevant Event has occurred and is continuing; or (z) (where neither of the foregoing applies) receipt of a Cash Capital Contribution from RBS pursuant to Clause (c) above, the LLP will deliver an irrevocable payment instruction, instructing the Account Bank to (a), in the case of a Term Advance where no Covered Bond Swap is in place, no later than 11am (local time in the relevant financial centre of the payment or, in the case of a payment in euro, London time), on each date on which any payment of interest in respect of such Term Advance becomes due under the Conditions, make a payment from the Coupon Payment Ledger in an amount equal to the Required Coupon Amount for such Term Advance on the relevant Interest Payment Date to an account specified by the Principal Paying Agent to the Issuer and the LLP from time to time and/or (b) in the case of a Term Advance where a Covered Bond Swap is in place, on each date on which any payment is due under the relevant Covered Bond Swap(s) (other than any termination payment under the relevant Covered Bond Swap Agreement and any payment in respect of principal), make a payment from the Coupon Payment Ledger in an amount equal to the Required Coupon Amount for such Covered Bond Swap(s) on the relevant payment date under the Covered Bond Swap in accordance with the terms of the relevant Covered Bond Swap Agreement.

Required Coupon Amount means in respect of a Term Advance, an aggregate amount equal to the Sterling Equivalent of (i) (in the case of each Term Advance where a Covered Bond Swap is not in place), interest due from the LLP on the Term Advance on the next Loan Interest Payment Date and (ii) (in the case of each Term Advance where a Covered Bond Swap is in place) an amount equal to the net amount due from the LLP under the Covered Bond Swap(s) on the next payment date (other than those amounts due in respect of principal).

Required Coupon Amount Shortfall means, in respect of each Term Advance on any LLP Payment Date, taking into account any amount to be credited to the Coupon Payment Ledger on the same date in respect of any other Term Advance, the amount by which the Required Coupon Amount under the relevant Covered Bond Swap exceeds the sum of:

- (a) the amount of Available Revenue Receipts remaining following payment in full of the amounts referred to in paragraphs (a) to (d) inclusive of the Pre-Acceleration Revenue Priority of Payments; and
- (b) the amount then standing to the credit of the Coupon Payment Ledger in relation to that Term Advance;

The Liquidation Member will not make any Capital Contributions to the LLP.

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 RBS (in its capacity as a Member of the LLP) must ensure that on each Calculation Date, the Aggregate Adjusted Asset 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 Asset Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds as calculated on the relevant Calculation Date, then the Asset Coverage Test shall be deemed to be breached and the LLP (or the Cash Manager on its behalf) will notify the Members, the Bond Trustee and the Security Trustee thereof and RBS (in its capacity as a Seller) will use all reasonable endeavours to sell or procure the sale of sufficient further Loans and their Related Security to the LLP in accordance with the RBS Mortgage Sale Agreement or, as applicable the NWHL Mortgage Sale Agreement (see "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Sellers of Loans and their Related Security*" above) 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 Available Principal Receipts.

If the Aggregate Adjusted Asset Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds on the next following Calculation Date, the Asset Coverage Test will continue to be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP and shall send notice of the same to the FSA pursuant to the RCB Regulations. The Bond Trustee shall revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

Following service of an Asset Coverage Test Breach Notice (which remains outstanding):

- (a) the LLP will be required to sell Selected Loans (as described further under "*LLP Deed – Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice*");
- (b) prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments will be modified as more particularly described in "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below; and
- (c) the Issuer will not be permitted to make to the LLP and the LLP will not be permitted to borrow from the Issuer any new Term Advances under the Intercompany Loan Agreement.

If an Asset Coverage Test Breach Notice has been served and remains outstanding on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances may be required) to serve an Issuer Acceleration Notice on the Issuer. On the occurrence of an Issuer Event of Default, the Bond Trustee shall give notice of the same to the FSA pursuant to the RCB Regulations. Following service of an Issuer Acceleration Notice, the Bond Trustee will be required to serve a Notice to Pay on the LLP.

For the purposes hereof:

Aggregate Adjusted Asset Amount means the amount calculated on each Calculation Date as follows:

$$A + B + C + D + E - (X + Y + Z)$$

where,

A = the lower of (i) and (ii), where:

(i) = the sum of the **Adjusted True Balance** of each Loan in the Portfolio, which shall be the lower of (1) the actual True Balance of the relevant Loan in the Portfolio as calculated on the last day of the immediately preceding Calculation Period and (2) the Indexed Valuation relating to that Loan multiplied by M (where for all Loans that are less than three months in arrears or not in arrears, M = 0.75, for all Loans that are three months or more in arrears, M = 0.40),

minus

the aggregate sum of the following deemed reductions to the aggregate Adjusted True Balance of the Loans in the Portfolio if any of the following occurred during the previous Calculation Period:

- (1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Representations and Warranties contained in the Mortgage Sale Agreements or subject to any other obligation of a Seller to repurchase the relevant Loan and its Related Security, and in each case that Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the relevant Mortgage Sale Agreement. In this event, the aggregate Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Adjusted True Balance of the relevant Loan or Loans (as calculated on the last day of the immediately preceding Calculation Period) of the relevant Borrower; and/or
- (2) a Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or a Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the relevant Seller or Servicer to indemnify the LLP for such financial loss); and
- (ii) = the aggregate **Arrears Adjusted True Balance** of the Loans in the Portfolio which in relation to each Loan shall be the lower of (1) the actual True Balance of the relevant Loan as calculated on the last day of the immediately preceding Calculation Period and (2) the Indexed Valuation relating to that Loan multiplied by N (where for all Loans that are less than three months in arrears or not in arrears, N = 1, for all Loans that are three months or more in arrears, N = 0.40);

minus

the aggregate sum of the following deemed reductions to the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio if any of the following occurred during the previous Calculation Period:

- (1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Representations and Warranties contained in the Mortgage Sale Agreements or subject to any other obligation of a Seller to repurchase the relevant Loan and its Related Security, and in each case that Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Arrears Adjusted True Balance of the relevant Loan or Loans (as calculated on the last day of the immediately preceding Calculation Period) of the relevant Borrower; and/or
- (2) a Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or a Servicer was, in the immediately preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the relevant Seller or Servicer to indemnify the LLP for such financial loss),

the result of the calculation in this paragraph A(ii) being multiplied by the Asset Percentage (as defined below);

- B = the aggregate amount of any Principal Receipts on the Loans in the Portfolio up to the end of the immediately preceding Calculation Period (as recorded in the Principal Ledger) which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents;
- C = the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of each Member) or proceeds of Term Advances which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with this Deed and/or the other Transaction Documents and shall not, for the avoidance of doubt include any Cash Capital Contributions made to fund the Coupon Payments Ledger;
- D = the aggregate outstanding principal balance of any Substitution Assets;
- E = the amount of any Sale Proceeds standing to the credit of the Deposit Account and credited to the Pre-Maturity Liquidity Ledger as at the relevant Calculation Date;
- X = 8 per cent. **multiplied by** the Flexible Draw Capacity (as defined below) **multiplied by** 3;
- Y = the Depositor Set-off Percentage of the aggregate True Balance of the RBS Loans in the Portfolio, as calculated on the relevant Calculation Date; and
- Z = the weighted average remaining maturity of all Covered Bonds then outstanding multiplied by the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds **multiplied by** the Negative Carry Factor where the **Negative Carry Factor** is (i) 0.5 per cent. if the Covered Bond Weighted Average Margin of the interest rate payable on the Covered Bonds is less or equal to 0.1 per cent. per annum or (ii) 0.5 per cent. plus that the Covered Bond Weighted Average Margin minus 0.1 per cent., if that the Covered Bond Weighted Average Margin is greater than 0.1 per cent. per annum (provided that if the weighted average remaining maturity of all Covered Bonds then outstanding is less than one,

the weighted average remaining maturity shall be deemed, for the purposes of this calculation, to be one).

Asset Percentage shall be the lowest of:

- (a) 90 *per cent.*; or
- (b) such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed, being the asset percentage that is necessary to ensure the Covered Bonds maintain the then current rating assigned to them by Fitch; or
- (c) such lesser percentage figure most recently selected by the LLP (or the Cash Manager acting on its behalf) and notified to Moody's and the Security Trustee in accordance with the terms of the LLP Deed, being the difference between 100 *per cent.* 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).

Notwithstanding the above, the Asset Percentage may not, at any time, exceed 90 *per cent.* unless a Rating Agency Confirmation has been obtained.

There is no obligation on the LLP to ensure that an Aaa rating is achieved or maintained by Moody's and the LLP is under no obligation to change the figure selected by it and notified to Moody's and the Security Trustee in line with the level of credit enhancement required to achieve or ensure an Aaa rating by Moody's, using Moody's expected loss methodology.

Covered Bond Weighted Average Margin means the weighted average of (i) where a Series of Covered Bonds does not have a Covered Bond Swap in place, the margin payable on such Covered Bonds of each Series and (ii) where a Series of Covered Bonds does have a Covered Bond Swap in place the margin payable by the LLP to the relevant Covered Bond Swap Provider in respect of each such Series of Covered Bonds.

Depositor Set-off Percentage means 0.978 *per cent* or the percentage most recently notified to the Rating Agencies in accordance with the LLP Deed.

Flexible Draw Capacity means the amount equal to the difference between (1) the maximum amount that borrowers may draw under Flexible Loans included in the Portfolio (whether or not drawn) and (2) the aggregate Outstanding Principal Amount in respect of Flexible Loans in the Portfolio on the relevant Calculation Date.

Amortisation Test

The LLP must ensure that on each Calculation Date following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

Following service of Notice to Pay on the LLP, if on any Calculation Date the Amortisation Test Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the Amortisation Test will be deemed to be breached and an LLP Event of Default will occur. The LLP or the Cash Manager, as the case may be, will immediately notify the Members, the Security Trustee and (whilst Covered Bonds are outstanding) the Bond Trustee of any breach of the Amortisation Test and the Bond Trustee shall be entitled to serve an LLP Acceleration Notice in accordance with the Conditions.

The **Amortisation Test Aggregate Loan Amount** will be calculated on each Calculation Date as follows:

$$A + B + C - Z$$

where,

A = the aggregate **Amortisation Test True Balance** of each Loan, which shall be the lower of (1) the actual True Balance of the relevant Loan as calculated on the last day of the immediately preceding Calculation Period multiplied by M and (2) 100 per cent. of the Indexed Valuation multiplied by M.

Where for all the Loans that are less than three months in arrears or not in arrears M = 1 or for all the Loans that are three months or more in arrears M = 0.7;

B = the sum of the amount of any cash standing to the credit of the LLP Accounts and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period);

C = the aggregate outstanding principal balance of any Substitution Assets;

Z = the weighted average remaining maturity of all Covered Bonds then outstanding **multiplied by** the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds **multiplied by** the Negative Carry Factor (provided that if the weighted average remaining maturity of all Covered Bonds then outstanding is less than one, the weighted average remaining maturity shall be deemed, for the purposes of this calculation, to be one).

Sale of Selected Loans and their Related Security if the Pre-Maturity Test is failed

The LLP Deed provides for sales of Selected Loans 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 Prospectus entitled *Credit Structure – Pre-Maturity Liquidity below*). The LLP will be obliged to sell the Selected Loans and their Related Security to Purchasers, subject to the rights of pre-emption enjoyed by the Sellers to buy the Selected Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreements, in accordance with the procedure summarised in – *Method of Sale of Selected Loans 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 Loans or the Cash Capital Contributions standing to the credit of the Pre-Maturity Liquidity Ledger 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 Prospectus entitled *Credit Structure – Pre-Maturity Liquidity below*.

Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice

After service of an Asset Coverage Test Breach Notice on the LLP (which remains outstanding) but prior to the service of a Notice to Pay and/or an LLP Acceleration Notice on the LLP, and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, the LLP will be, taking into account any Cash Capital Contributions made by the Members, obliged to sell Selected Loans and their Related Security in the Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Sellers to buy the Selected Loans and their Related Security pursuant to the Mortgage Sale Agreements. The proceeds from any such sale or refinancing will be credited to the Deposit Account and applied as set out in the Priorities of Payments (see "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below).

Sale of Selected Loans and their Related Security following service of a Notice to Pay

After a Notice to Pay has been served on the LLP but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, the LLP will be obliged to sell Selected Loans and their Related Security in the Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Sellers to buy the Selected Loans and their Related Security pursuant to the Mortgage Sale Agreements, and subject to any Cash Capital Contribution made by the Members. The proceeds from any such sale or refinancing will be credited to the Deposit Account and applied as set out in the Guarantee Priority of Payments.

Method of Sale of Selected Loans

If the LLP is required to sell Selected Loans and their Related Security to Purchasers following the failure of the Pre-Maturity Test, the service of an Asset Coverage Test Breach Notice (if it remains outstanding) or service of a Notice to Pay, the LLP will be required to ensure that before offering Selected Loans for sale:

- (a) the Selected Loans have been selected from the Portfolio on a random basis as described in the LLP Deed; and
- (b) the Selected Loans have an aggregate True Balance in an amount (the **Required True Balance Amount**) which is as close as possible to the amount calculated as follows:
 - (1) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), such amount that would ensure that, if the Selected Loans were sold at their True Balance plus the Arrears of Interest and Accrued Interest thereon, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the LLP on the Payment Date following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice remains outstanding on the next Calculation Date); or
 - (2) following a failure of the Pre-Maturity Test or service of a Notice to Pay:

$$N \times \frac{\text{True Balance of all the Loans in the Portfolio}}{\text{the Sterling Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

where "N" is an amount equal to:

- (i) in respect of Selected Loans 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 Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds; or
- (ii) in 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 LLP Accounts 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 Loans and their Related Security for sale to Purchasers for the best price reasonably available but in any event:

- (a) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), for an amount not less than the True Balance of the Selected Loans; and
- (b) following a failure of the Pre-Maturity Test or the service of a Notice to Pay, for an amount not less than the Adjusted Required Redemption Amount.

Following the service of a Notice to Pay, if the Selected Loans have not been sold (in whole or in part) in an amount not less than the Adjusted Required Redemption Amount by the date which is six months prior to, as applicable, (i) in respect of Earliest Maturing Covered Bonds that 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, in respect of Earliest Maturing Covered Bonds that 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 Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

Following service of a Notice to Pay, in addition to offering Selected Loans for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the LLP (subject to the right of pre-emption enjoyed by the Sellers pursuant to the Mortgage Sale Agreements) is permitted to offer for sale a portfolio of Selected Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds.

The LLP is also permitted to offer for sale to Purchasers a Partial Portfolio. Where a Notice to Pay has been served, except in circumstances where the portfolio of Selected Loans 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, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Loans.

The LLP will through a tender process appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Loans (if such terms are commercially available in the market) and to advise it in relation to the sale of the Selected Loans to Purchasers (except where a Seller is buying the Selected Loans in accordance with its right of pre-emption in 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.

In respect of any sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice (if it remains outstanding) or 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 Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and, 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 Loans (which shall give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Security Trustee. The Security Trustee will not be required to release the Selected Loans from the Security unless the conditions relating to the release of the Security (as described under – *Deed of Charge – Release of Security* below) are satisfied.

Following service of a Notice to Pay, if Purchasers accept the offer or offers from the LLP so that some or all of the Selected Loans and their Related Security 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 relevant Seller in respect of the Loans and their Related Security unless expressly agreed by the Security Trustee or otherwise agreed with the LLP and the Sellers.

Covenants of the LLP and the Members

Each of the Members covenants that, subject to the terms of the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, declare a trust over, create any beneficial interest in or otherwise dispose of its interest in the LLP without the prior written consent of the LLP and, whilst the Covered Bonds are outstanding, the Security Trustee. Whilst any amounts are outstanding in respect of the Covered Bonds, each of the Members undertakes not to terminate or purport to terminate the LLP Deed or institute any winding-up, administration, insolvency or similar proceedings against the LLP.

The LLP covenants that it will not, save with the prior written consent of the LLP Management Committee (and, 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 or derive income from any activities within the United States or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States;
- (i) enter into any contracts, agreements or other undertakings;
- (j) compromise, compound or release any debt due to it;
- (k) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; or
- (l) be a member of any VAT Group.

The LLP and each of the Members further covenants that from and including the date on which the Issuer is admitted to the register of issuers pursuant to Regulation 14 of the RCB Regulations (if applicable) it will:

- (i) ensure that the Asset Pool will only comprise those assets set out in items (a) to (h) of Regulation 3(1) (*Asset Pool*) of the RCB Regulations;

- (ii) ensure that the Loans and the Related Security, the Substitution Assets and the Authorised Investments contained in the Asset Pool comply with the definition of "eligible property" in Regulation 2 (Eligible Property) of the RCB Regulations;
- (iii) keep a record of those assets that form part of the Asset Pool which, for the avoidance of doubt, shall not include any Swap Collateral; and
- (iv) at all times comply with its obligations under the RCB Regulations and/or the RCB Sourcebook.

Limit on Investing in Substitution Assets

Prior to the service of an Asset Coverage Test Breach Notice (if it remains outstanding) or a Notice to Pay on the LLP, the LLP will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Term Advances standing to the credit of the LLP Accounts in Substitution Assets, provided that the aggregate amount so invested in Substitution Assets does not exceed 15 per cent. of the total assets of the LLP at any one time and provided that such investments are made in accordance with the terms of the Cash Management Agreement and 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 a Notice to Pay on the LLP, all Substitution Assets must be sold by the LLP (or the Cash Manager on its behalf) as quickly as reasonably practicable and the proceeds credited to the Deposit Account and the LLP will be permitted to invest all available monies in Authorised Investments, provided that such investments are made in accordance with the terms of the Cash Management Agreement.

Other Provisions

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the LLP is described under the section of this Prospectus entitled "*Cashflows*" below.

The LLP Management Committee, comprised as at the Initial Programme Date of directors, officers and/or employees of RBS, NWHL and the Liquidation Member, will act on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters. Any decision by the LLP Management Committee relating to the admission of a New Member, any change in the LLP's business, any change to the LLP's name and any amendment to the LLP Deed, will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

For so long as any Covered Bonds are outstanding, each Member has agreed that it will not terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or other similar proceedings against the LLP. Furthermore, the Members have agreed *inter alia* not to demand or receive payment of any amounts payable by the LLP (or the Cash Manager on its behalf) or the Security Trustee unless all amounts then due and payable by the LLP to all other creditors ranking higher in the relevant Priorities of Payments have been paid in full.

Each Member will be responsible for the payment of its own tax liabilities and will be required to indemnify the LLP and the other Members from any liabilities which they incur as a result of the relevant Member's non-payment.

Following the appointment of a liquidator or, in the case of RBS, 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.

The LLP Deed will be governed by English law.

Cash Management Agreement

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement entered into on the Initial Programme Date between the LLP, RBS 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 the Ledgers on behalf of the LLP;
- (c) maintaining records of all Authorised Investments and/or Substitution Assets, as applicable;
- (d) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payment described under Cashflows, below;
- (e) determining whether the Asset Coverage Test is satisfied on each Calculation Date in accordance with the LLP Deed, as more fully described under "*Credit Structure – Asset Coverage Test*", below";
- (f) determining whether the Amortisation Test is satisfied on each Calculation Date following an Issuer Event of Default in accordance with the LLP Deed, as more fully described under "*Credit Structure – Amortisation Test*", below;
- (g) on each London Business Day, determining whether the Pre-Maturity Test for each Series of Hard Bullet Covered Bonds is satisfied, as more fully described under *Credit Structure – Pre-Maturity Liquidity*, below;
- (h) providing the FSA with information on the composition of any Substitution Assets and/or Authorised Investments comprised in the assets of the LLP and/or such other information as may be required by the FSA in accordance with the RCB Regulations;
- (i) preparation of Investor Reports for the Covered Bondholders, the Rating Agencies and the Bond Trustee;
- (j) making the necessary notifications and procuring the necessary payments with respect to any Cash Capital Contributions which are to be credited to the Coupon Payment Ledger; and
- (k) the establishment and operation of any Swap Collateral Account and the maintenance of any ledgers connected therewith.

Back-up Cash Management Agreement

The Cash Manager undertakes that, on the Cash Manager ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa1 or by Fitch of at least BBB, it will use reasonable efforts to enter into a back-up cash management agreement with a suitably experienced third party acceptable to the LLP and the Security Trustee within 30 days of the Cash Manager ceasing to be assigned such ratings. The Cash Manager will, on behalf of the LLP, make a draft of the back-up cash management agreement available to the Rating Agencies prior to its execution. The back-up cash management agreement will provide for such third party to undertake the cash management services in relation to the Portfolio within 30 days of the Cash Manager ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 or by Fitch of at least BBB.

In certain circumstances the LLP and the Security Trustee will each have the right to terminate the appointment of the Cash Manager in which event the LLP will appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

The Cash Management Agreement will be governed by English law.

Interest Rate Swap Agreement

Some of the Loans in the Portfolio pay a variable rate of interest for a period of time that may be linked either to a Seller Standard Variable Rate or linked to an interest rate other than a Seller Standard Variable Rate, such as a rate that tracks the Bank of England base rate. Other Loans pay a fixed rate of interest for a period of time. However, the Sterling payments to be made by the LLP under the Covered Bond Swaps or, where a Covered Bond Swap is not in place, the relevant Term Advance (prior to the service of a Notice to Pay on the LLP) and under the Covered Bond Guarantee (after the service of a Notice to Pay on the LLP) are based on LIBOR for one month Sterling deposits. To provide a hedge against the possible variance between:

- (a) the rates of interest payable on the Loans in the Portfolio; and
- (b) LIBOR for one month Sterling deposits,

the LLP, the Interest Rate Swap Provider and the Security Trustee have entered into the Interest Rate Swap Agreement on the Initial Programme Date.

The notional amount of the Interest Rate Swaps entered into under the Interest Rate Swap Agreement will be the aggregate principal amount outstanding in the Portfolio in respect of the Calculation Period ending immediately prior to the relevant Interest Rate Swap payment date, of the performing Loans in the Portfolio to which such Interest Rate Swap relates.

In the event that the relevant ratings of the Interest Rate Swap Provider, or any guarantor, as applicable, is or are, as applicable, downgraded by a Rating Agency below the ratings specified in the Interest Rate Swap Agreement (in accordance with the requirements of the Rating Agencies) for the Interest Rate Swap Provider, and, where applicable, as a result of the downgrade, the then current ratings of the Covered Bonds would or may, as applicable, be adversely affected, the Interest Rate Swap Provider will be required to take certain remedial measures which may include providing collateral for its obligations, arranging for its obligations to be transferred to an entity with such ratings as are required to ensure that the then current rating of the Covered Bonds would not be downgraded, procuring another entity with rating(s) required by the relevant Rating Agency to become co-obligor in respect of its obligations, or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps will allow the LLP to terminate the Interest Rate Swaps.

The Interest Rate Swaps may also be terminated in certain other circumstances (each referred to as an **Interest Rate Swap Early Termination Event**), including, but not limited to:

- at the option of either party to the Interest Rate Swap Agreement, if there is a failure by the other party to pay any amounts due under the Interest Rate Swaps (for the avoidance of doubt, no such failure to pay by the LLP will entitle the Interest Rate Swap Provider to terminate the Interest Rate Swaps, if such failure is due to the assets available at such time to the LLP being insufficient to make the required payment in full);
- upon the occurrence of the insolvency of the Interest Rate Swap Provider, or any guarantor and certain insolvency-related events in respect of the LLP;

- upon the merger of the Interest Rate Swap Provider without an assumption of all of its obligations under the Interest Rate Swap Agreement;
- in certain circumstances, if a deduction or withholding for or an account of taxes is imposed on payments under an Interest Rate Swap; or
- upon the service by the Bond Trustee of an LLP Acceleration Notice on the LLP and the Issuer.

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 withholding taxes are imposed on payments made by the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the Interest Rate Swap Provider shall always be obliged to gross up these payments. If withholding taxes are imposed on payments made by the LLP to the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the LLP shall not be obliged to gross up those payments.

If the LLP is required to sell Selected Loans in the Portfolio in order to provide liquidity in respect of the Earliest Maturing Covered Bonds following an Issuer Event of Default and service of a Notice to Pay on the LLP, then, to the extent practicable and desirable, either:

- (a) the Interest Rate Swap in respect of such Loans will partially terminate and any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Loans; or
- (b) such Interest Rate Swap will be partially novated to the purchaser of such Loans, and such purchaser will thereby become party to a separate interest rate swap transaction with the relevant Interest Rate Swap Provider.

Under the Interest Rate Swap Agreement, the LLP's obligations are limited in recourse to the Charged Property.

The Interest Rate Swap Agreement will be governed by English law.

Covered Bond Swap Agreements

In respect of each Series of Covered Bonds the LLP may enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers and the Security Trustee. Each Covered Bond Swap will provide a hedge against certain interest rate and/or currency risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swaps and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP 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(s) in relation to each Series or Tranche, as applicable, of Covered Bonds, governed by a Covered Bond Swap Agreement. Where a Series or a Tranche of Covered Bonds is denominated in a currency other than Sterling, the LLP will pay to the Covered Bond Swap Provider the amount received by the LLP under the applicable Term Advance (being an amount equal to the gross proceeds of the issue of such Series or Tranche, as applicable, of Covered Bonds) on the relevant Issue Date and in return the Covered Bond Swap Provider will pay to the LLP an amount equal to the Sterling Equivalent of the applicable Term Advance. Thereafter, the Covered Bond Swap Provider will pay to the LLP on each Interest Payment Date amounts in the relevant Specified Currency and/or calculated with reference to the relevant interest basis equivalent to the amounts that would be payable by the LLP under either the applicable Term Advance in accordance with the terms of the Intercompany Loan or the Covered Bond Guarantee in respect of interest and (where applicable) principal

payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will pay to the Covered Bond Swap Provider on each LLP Payment Date an amount in Sterling calculated by reference to LIBOR for one month Sterling deposits for the relevant Interest Period plus a spread and (where applicable) the Sterling Equivalent of any principal due in respect of the relevant Term Advance in accordance with the Intercompany Loan Agreement or the Covered Bond Guarantee, as applicable. Where both payments under a Covered Bonds Swap Agreement are to be made in Sterling, a net amount or no amount will be paid either to or by the LLP under the relevant Covered Bond Swap Agreement.

If prior to the Final Maturity Date in respect of the relevant Series or Tranche of Covered Bonds or (if an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds and the payment of the amount corresponding to the Final Redemption Amount or any part of it by the LLP under the Covered Bond Guarantee is deferred until the relevant Extended Due for Payment Date pursuant to Condition 6(a) of the Terms and Conditions of the Covered Bonds) any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date, the LLP notifies (pursuant to the terms of the Covered Bond Swap) the relevant Covered Bond Swap Provider of the amount in the Specified Currency to be paid by the Covered Bond Swap Provider on such Final Maturity Date or Interest Payment Date (such amount being equal to the Final Redemption Amount or the relevant portion thereof payable by the LLP on such Final Maturity Date or Interest Payment Date under the Covered Bond Guarantee in respect of the relevant Series or Tranche of Covered Bonds), the Covered Bond Swap Provider will pay the LLP such amount and the LLP will pay the Covered Bond Swap Provider the Sterling Equivalent of such amount. Further, if on any day an Early Redemption Amount is payable pursuant to Condition 6(a), (if required) the Covered Bond Swap Provider will pay the LLP such amount (or the relevant portion thereof) and the LLP will pay the Covered Swap Provider the Sterling Equivalent thereof, following which the notional amount of the relevant Covered Bond Swaps will reduce accordingly.

Each Covered Bond Swap will terminate on the Final Maturity Date of the related Series or Tranche of Covered Bonds or, if the LLP notifies the Covered Bond Swap Provider prior to such Final Maturity Date of the inability of the LLP to pay in full Guaranteed Amounts corresponding to the Final Redemption Amount, the final Interest Payment Date on which an amount representing the Final Redemption Amount of the related Series or Tranche of Covered Bonds is paid (but in any event not later than the Extended Due for Payment Date).

Under the terms of each Covered Bond Swap Agreement, in the event that the relevant rating of the Covered Bond Swap Provider is downgraded by a Rating Agency below the rating(s) specified in the relevant Covered Bond Swap Agreement (in accordance with the requirements of that Rating Agency) for the Covered Bond Swap Provider, and, where applicable, as a result of the downgrade, the then current ratings of the Covered Bonds would or may, as applicable, be adversely affected, the Covered Bond Swap Provider will, in accordance with the relevant Covered Bond Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Covered Bond Swap Agreement, arranging for its obligations under the Covered Bond Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency, procuring another entity with the ratings required by the relevant Rating Agency to become co-obligor in respect of its obligations under the Covered Bond Swap Agreement, or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps will allow the LLP to terminate the Covered Bond Swaps entered into under that Covered Bond Swap Agreement.

A Covered Bond Swap may also be terminated in certain other circumstances (each referred to as a **Covered Bond Swap Early Termination Event**), including:

- at the option of either party to the Covered Bond Swap Agreement, if there is a failure by the other party to pay any amounts due under such Covered Bond Swap (for the avoidance of doubt, no such failure to pay by the LLP will entitle the relevant Covered Bond Swap Provider to terminate the Covered Bond Swap, if such failure is due to the assets available at such time to the LLP being insufficient to make the required payment in full);

- upon the occurrence of the insolvency of the relevant Covered Bond Swap Provider or any guarantor, and certain insolvency-related events in respect of the LLP;
- upon the merger of the Covered Bond Swap Provider without an assumption of all of its obligations under the relevant Covered Bond Swap Agreement;
- in certain circumstances, if a deduction or withholding for or an account of taxes is imposed on payments under a Covered Bond Swap; or
- upon the service by the Bond Trustee of an LLP Acceleration Notice on the LLP and the Issuer; or
- the redemption and/or cancellation of the related Series or Tranche of Covered Bonds.

Upon the termination of a Covered Bond Swap Agreement, the LLP or the relevant Covered Bond Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant Covered Bond Swap Agreement. The amount of this termination payment will be calculated and made in Sterling.

Any termination payment made by the Covered Bond Swap Provider to the LLP in respect of a Covered Bond Swap Agreement will first be used to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Covered Bond Swap Provider (or replacement Covered Bond Swap Providers) to enter into a replacement Covered Bond Swap with the LLP, unless a replacement Covered Bond Swap (or replacement Covered Bond Swaps) has already been entered into on behalf of the LLP. Any premium received by the LLP from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap will first be used to make any termination payment due and payable by the LLP with respect to the previous Covered Bond Swap Agreement, unless such termination payment has already been made on behalf of the LLP.

Any Swap Collateral Excluded Amounts will be paid to the Covered Bond Swap Provider directly and not via the Priorities of Payments.

If withholding taxes are imposed on payments made by any Covered Bond Swap Provider to the LLP under a Covered Bond Swap Agreement, such Covered Bond Swap Provider shall always be obliged to gross up those payments. If withholding taxes are imposed on payments made by the LLP to the Covered Bond Swap Provider under a Covered Bond Swap Agreement, the LLP shall not be obliged to gross up those payments.

In the event that the Covered Bonds are redeemed and/or cancelled in accordance with the Conditions (other than in accordance with Condition 6(a)), 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 Loans; and
- (ii) the purchase price to be paid for the relevant Covered Bonds purchased by the LLP in accordance with Condition 6(f).

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.

Bank Account Agreement

Pursuant to the terms of the Bank Account Agreement entered into on the Initial Programme Date between the LLP, the Account Bank, the Cash Manager and the Security Trustee, the LLP will maintain with the Account Bank the accounts described below, which will be operated in accordance with the Bank Account Agreement, Cash Management Agreement, the LLP Deed and the Deed of Charge:

- (a) the Deposit Account into which amounts may be deposited by the LLP (including, following the occurrence of an Issuer Event of Default which is not cured within the applicable grace period, all amounts received from Borrowers in respect of Loans in the Portfolio). On each LLP Payment Date as applicable, amounts required to meet the LLP's various creditors and amounts to be distributed to the Members under the LLP Deed will be transferred to the Transaction Account; and
- (b) the Transaction Account. Monies standing to the credit of the Deposit Account will be transferred to the Transaction Account on each LLP Payment Date and applied by the Cash Manager in accordance with the Priorities of Payments described below under the section of this prospectus entitled "*Cashflows*".

If the short term, unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank cease to be rated P-1 by Moody's or F1 by Fitch or such other lower rating as is required to maintain the then current rating of the Covered Bonds (the **Account Bank Required Ratings**) then either:

- the Deposit Account and the Transaction Account will be closed and all amounts standing to the credit thereof shall be transferred to accounts held with a bank whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Account Bank Required Ratings; or
- the Account Bank will obtain an unconditional and unlimited guarantee of its obligations under the Bank Account Agreement from a financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Account Bank Required Ratings.

In the event the Deposit Account and the Transaction Account are closed and a replacement account or accounts are opened with a replacement account bank, the Account Bank will use reasonable endeavours to ensure that the replacement Deposit Account is an interest bearing account yielding a commercially reasonable rate of return.

The Bank Account Agreement will be governed by English law.

Corporate Services Agreement

The LLP, the Liquidation Member and Holdings have entered into a Corporate Services Agreement with, *inter alios*, Structured Finance Management Limited, (as Corporate Services Provider) on the Initial Programme Date, pursuant to which the Corporate Services Provider has agreed to provide corporate services to the Liquidation Member and Holdings respectively.

The Corporate Services Agreement will be governed by English law.

Deed of Charge

Pursuant to the terms of the Deed of Charge entered into on the Initial Programme Date by the LLP, the Security Trustee and the other Secured Creditors, the secured obligations of the LLP and all other obligations of the LLP under or pursuant to the Transaction Documents to which it is a party are secured, *inter alia*, by the following security (the **Security**) over the following property, assets and rights (the **Charged Property**):

- (a) a first fixed charge (which may take effect as a floating charge) over the LLP's interest in the English Loans and their Related Security and other related rights comprised in the Portfolio;
- (b) a first ranking assignation in security of the LLP's interest in the Scottish Loans and their Related Security and other related rights comprised in the Portfolio (comprising the LLP's beneficial interest under the trusts declared by the Seller pursuant to the Scottish Declarations of Trust);
- (c) an assignment by way of first fixed charge over the rights of the LLP in and to the Insurance Policies;
- (d) 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 Agreement(s) and Covered Bond Swap Agreement(s), after giving effect to all applicable netting provisions therein);
- (e) a first fixed security of the LLP's rights, title, benefit and interest, present and future, in the property held in the CCA Trusts;
- (f) 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;
- (g) 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
- (h) a first floating charge over all the assets and undertaking of the LLP (including the assets and undertaking of the LLP located in Scotland or governed by Scots law).

In respect of the property, rights and assets referred to in paragraph (b) above, fixed security will be created over such property, rights and assets sold to the LLP on or after the Initial Programme Date by means of Scottish Supplemental Charges pursuant to the Deed of Charge.

Release of Security

In the event of any sale of Loans (including Selected Loans) and their Related Security by the LLP pursuant to and in accordance with the Transaction Documents (other than any repurchase by the Sellers), the Security Trustee will release those Loans from the Security created by and pursuant to the Deed of Charge on the date of such sale but only if:

- (i) in the case of the sale of Selected Loans, the Security Trustee provides its prior written consent to the terms of such sale as described under "*LLP Deed – Method of Sale of Selected Loans*" above; and
- (ii) in the case of the sale of Selected Loans, the LLP provides to the Security Trustee a certificate confirming that the Selected Loans being sold have been selected on a random basis.

In the event of the repurchase of a Loan and its Related Security by the Seller pursuant to and in accordance with the Transaction Documents, that Loan 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 Portfolio), 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 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 will be governed by English law (other than each Scottish Supplemental Charge granted pursuant and supplemental to the Deed of Charge and certain other provisions relating to the property, rights and assets referred to in paragraph (b) above which will be governed by Scots 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 an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default 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 Revenue Receipts or Principal Receipts from the Portfolio in order to pay interest or repay principal under the Covered Bonds.

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

- the Covered Bond Guarantee provides credit support to the Issuer;
- the Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds at all times;
- the 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 an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and service of a Notice to Pay on the LLP;
- a Reserve Fund (unless RBS's short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch and P-1 by Moody's) will be established in the Deposit Account to trap Available Revenue Receipts;
- under the terms of the Cash Management Agreement, the Cash Manager will agree to invest funds standing to the credit of the Deposit Account (except to the extent required for payment of any amount pursuant to the Priorities of Payment) in Authorised Investments with a view to earning a rate of return on such funds at least equal to LIBOR for one-month Sterling deposits; and
- the pre-funding of the Required Coupon Amount on each LLP Payment Date following a Cash Manager Relevant Event and the delivery of irrevocable payment instructions well in advance of such amounts becoming due for payment will enhance the likelihood of timely payments to the Covered Bondholders.

Certain of these factors are considered more fully in the remainder of this section.

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) 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 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 occurrence of an Issuer Event of Default.

Pre-Maturity Liquidity

Certain Series of Covered Bonds are scheduled to be redeemed in full on the Final Maturity Date therefore 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 Cash Manager on its behalf will determine if the Pre-Maturity Test has failed, and if so, it shall immediately notify the Members and the Security Trustee thereof.

The Issuer will fail and be in breach of the Pre-Maturity Test on a Pre-Maturity Test Date if:

- (a) the Issuer's (i) long-term credit rating from Moody's is A2 (or lower) (or such higher rating as is notified by the Issuer to Moody's and the Security Trustee from time to time) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds occurs within 12 months (or such longer period as is notified by the Issuer to Moody's and the Security Trustee from time to time) of the relevant Pre-Maturity Test Date or (ii) short-term credit rating from Moody's is P-1 (or lower) (or such higher rating as is notified by the Issuer to Moody's and the Security Trustee from time to time) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds occurs within 12 months (or such longer period as is notified by the Issuer to Moody's and the Security Trustee from time to time) of the relevant Pre-Maturity Test Date; or
- (b) the Issuer's short-term credit rating from Fitch is F1 (or lower) (or such higher rating as is notified by the Issuer to Fitch and the Security Trustee from time to time) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds occurs within 12 months (or such longer period as is notified by the Issuer to Fitch and the Security Trustee from time to time) of the relevant Pre-Maturity Test Date.

Following a failure of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, the LLP shall offer to sell Selected Loans and their Related Security to Purchasers (subject to any right of pre-emption enjoyed by the Sellers pursuant to the Mortgage Sale Agreements and to any Cash Capital Contributions made by RBS (in its capacity as a member of the LLP)) with the intention that there will be an amount standing to the credit of the Pre-Maturity Liquidity Ledger at least equal to 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, Revenue Receipts will also be available to repay a Hard Bullet Covered Bond, as described in *Cashflows - Pre-Acceleration Revenue Priority of Payments* below.

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 Ledger 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, cash standing to the credit of the Pre-Maturity Liquidity Ledger on the Deposit Account shall be applied by the LLP in accordance with the Pre-Acceleration Principal Priority of Payments, unless:

- (a) the Issuer is failing the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case amounts shall remain credited on the Pre-Maturity Liquidity Ledger 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 Management Committee elects to retain the amounts on the Pre-Maturity Liquidity Ledger in order to provide liquidity for any future Series of Hard Bullet Covered Bonds.

Amounts standing to the credit of the Pre-Maturity Liquidity Ledger following the repayment of the Hard Bullet Covered Bonds as described above may, except where the Management Committee has elected or is required to retain such amounts on the Pre-Maturity Liquidity Ledger, also be used to repay the corresponding Term Advance and distribute any excess Available Principal Receipts back to the Members on dates other than LLP Payment Dates, subject to the LLP making provision for higher ranking items in the Pre-Acceleration Principal Priority of Payments.

Asset Coverage Test

The Asset Coverage Test is intended to ensure that the LLP can meet its obligations under the Covered Bond Guarantee and senior ranking expenses which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding. Under the LLP Deed, the LLP and RBS (in its capacity as a Member of the LLP) must ensure that on each Calculation Date the Aggregate Adjusted Asset Amount will be in an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If on any Calculation Date the Asset Coverage Test is not satisfied and such failure is not remedied on or before the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test is a formula which adjusts the True Balance of each Loan in the Portfolio and has further adjustments to take account of set-off on a Borrower's savings accounts held with RBS and failure by a Seller, in accordance with the Mortgage Sale Agreements, to repurchase Loans that do not materially comply with the Representations and Warranties on the relevant Transfer Date.

See further the section of this Prospectus entitled "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*", above.

An Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following the service of the Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

If an Asset Coverage Test Breach Notice has been served and remains outstanding on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances, may be required) to serve an Issuer Acceleration Notice. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the LLP.

Amortisation Test

The Amortisation Test is intended to ensure that if, following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and the 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 must ensure that, on each Calculation Date following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant

Calculation Date. The Amortisation Test is a formula which adjusts the True Balance of each Loan in the Portfolio and has further adjustments to take account of Loans in arrears. See further "*Summary of the Principal Documents – LLP Deed – Amortisation Test*", above.

Reserve Fund

The LLP will be required (unless RBS's short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch and P-1 by Moody's), to establish the Reserve Fund on the Deposit Account which will be credited with Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default.

The Reserve Fund will be funded from Available Revenue Receipts after the LLP has paid all of its obligations in respect of items ranking higher than the Reserve Ledger in the Pre-Acceleration Revenue Priority of Payments on each LLP Payment Date.

A Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund. Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the LLP, amounts standing to the credit of the Reserve Fund will be added to certain other income of the LLP in calculating Available Revenue Receipts.

Coupon Payment Ledger

If a Cash Manager Relevant Event occurs and is continuing, RBS in its capacity as a Member of the LLP will (a) within 10 London Business Days of the occurrence of the Cash Manager Relevant Event and, (b) thereafter, if a Required Coupon Amount Shortfall exists, within 5 London Business Days of receipt of notification of each Required Coupon Amount Shortfall make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount or the Required Coupon Amount Shortfall, as the case may be.

While a Cash Manager Relevant Event is continuing (but prior to the service of a Notice to Pay or an LLP Acceleration Notice on the LLP) the LLP will, on each LLP Payment Date, fund the Coupon Payment Ledger in an amount up to the Required Coupon Amount.

Within 1 London Business Day of receipt of a Cash Capital Contribution from RBS, the LLP will (or shall procure that the Cash Manager will) credit the Coupon Payment Ledger with an amount equal to such Cash Capital Contribution.

Within 1 London Business Day of receipt of a Cash Capital Contribution from RBS or, (where either (x) there is no Required Coupon Amount Shortfall or (y) receipt of a Cash Capital Contribution from RBS occurs prior to the Relevant Payment Date in question) each Relevant Payment Date on which a Cash Manager Relevant Event has occurred and is continuing, the LLP will deliver an irrevocable payment instruction, instructing the Account Bank to (a), in the case of a Term Advance where no Covered Bond Swap is in place, no later than 11am (local time in the relevant financial centre of the payment or, in the case of a payment in euro, London time), on each date on which any payment of interest in respect of such Term Advance becomes due under the Conditions, make a payment from the Coupon Payment Ledger in an amount equal to the Required Coupon Amount for such Term Advance on the relevant Interest Payment Date to an account specified by the Principal Paying Agent to the Issuer and the LLP from time to time and/or (b) in the case of a Term Advance where a Covered Bond Swap is in place, on each date on which any payment is due under the relevant Covered Bond Swap(s) (other than any termination payment under the relevant Covered Bond Swap Agreement and any payment in respect of principal), make a payment from the Coupon Payment Ledger in an amount equal to the Required Coupon Amount for such Covered Bond Swap(s) on the relevant payment date under the Covered Bond Swap in accordance with the terms of the relevant Covered Bond Swap Agreement.

CASHFLOWS

As described above under "*Credit Structure*", until a Notice to Pay or LLP Acceleration Notice is served on the LLP, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the LLP.

This section summarises the Priorities of Payments of the LLP, as to the allocation and distribution of amounts standing to the credit of the LLP Accounts and their order of priority:

- (a) prior to service on the LLP of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice;
- (b) following service of an Asset Coverage Test Breach Notice (and for so long as it remains outstanding);
- (c) following service of a Notice to Pay; and
- (d) following service of an LLP Acceleration Notice, realisation of the Security and/or the commencement of winding-up proceedings against the LLP.

If the Transaction Account is closed in accordance with the terms of the Bank Account Agreement, any payment to be made to or from the Transaction Account shall, as applicable, be made to or from the Deposit Account, or no payment shall be made at all if such payment is expressed to be from the Deposit Account to the Transaction Account.

LLP Payment Dates will occur monthly.

Allocation and distribution of Available Revenue Receipts prior to the service of an Asset Coverage Test Breach Notice which 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, a Notice to Pay or an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, Available Revenue Receipts will be allocated and distributed as described below.

On the Calculation Date immediately preceding each LLP Payment Date, the LLP or the Cash Manager on its behalf shall calculate the amount of Available Revenue Receipts available for distribution on the immediately following LLP Payment Date, the Reserve Fund Required Amount, the Required Coupon Amount and the Required Coupon Amount Shortfall (if any) (in each case, if applicable).

If the Pre-Maturity Test has failed in respect of a Series of Hard Bullet Covered Bonds, on each Calculation Date falling in the eleven months 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 Ledger on that Calculation Date 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 Revenue Priority of Payments

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will transfer Available Revenue Receipts from the Deposit Account to the Transaction Account, in an amount equal to the lower of (a) the amount required to make the payments described below (taking into account any Available Revenue

Receipts standing to the credit of the Transaction Account) and (b) the amount of Available Revenue Receipts standing to the credit of the Deposit Account.

Prior to service of an Asset Coverage Test Breach Notice which remains outstanding, a Notice to Pay or service of an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, Available Revenue Receipts (as calculated on the immediately preceding Calculation Date) will be applied by or on behalf of the LLP on each LLP Payment Date (except for amounts due to the Bond Trustee and the Security Trustee or to other third parties by the LLP or the Issuer under paragraphs (b) and (c) below or Third Party Amounts, which shall be paid when due) in making the following payments and provisions (the **Pre-Acceleration Revenue Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction of any remuneration then due and payable to the Security Trustee and any costs, charges, liabilities and expenses then due or to become due and payable to the Security Trustee in the immediately succeeding LLP Payment Period under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
- (b) *second*, in or towards satisfaction of any amounts due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay and discharge any liability of the LLP for taxes;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Servicers and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicers under the provisions of the Servicing Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (iii) 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 pursuant to the terms of the Bank Account Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (iv) any remuneration then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
 - (v) 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 applicable VAT (or other similar taxes) thereon to the extent provided therein (other than any indemnity payments referred to in paragraph (k) below);

- (d) *fourth*, in or towards payment *pro rata* and *pari passu* of any amount due and payable to the Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the Interest Rate Swap Agreement (but excluding any Excluded Swap Termination Amount) or to become due and payable in the immediately succeeding LLP Payment Period pursuant to the terms of the Interest Rate Swap Agreement (except to the extent that such amounts have been paid out of any premia received from any relevant replacement Interest Rate Swap Providers);
- (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 (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 Agreement other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments), of:
 - (i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger on the Deposit Account, in respect of any Term Advance with a Covered Bond Swap in place, any amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premia received from any relevant replacement Covered Bond Swap Providers) pursuant to the terms of the relevant Covered Bond Swap Agreements; and
 - (ii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger of the Deposit Account, (and where appropriate, after taking into account any amounts (other than 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), any amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period (excluding principal amounts), *pro rata* and *pari passu* in respect of each relevant Term Advance to the Issuer pursuant to the terms of the Intercompany Loan Agreement;
- (f) *sixth*, if a Cash Manager Relevant Event has occurred and is continuing, in or towards a deposit to the Deposit Account (with a corresponding credit to the Coupon Payment Ledger maintained in respect of that account) of an amount up to but not exceeding the amount by which the then applicable Required Coupon Amount exceeds the amount standing to the credit of the Coupon Payment Ledger;
- (g) *seventh*, if the LLP is required to make a credit to the Pre-Maturity Liquidity Ledger in accordance with the LLP Deed, in or towards a deposit to the Deposit Account (with a corresponding credit to the Pre-Maturity Liquidity Ledger maintained in respect of that account) of an amount up to but not exceeding the difference between:
 - (i) 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 Ledger on the immediately preceding Calculation Date after deducting from that Ledger the Required Redemption Amounts of all other Series of Hard Bullet Covered Bonds as calculated on that Calculation

Date which mature prior to or at the same date as the relevant Series of Hard Bullet Covered Bonds;

- (h) *eighth*, if a Servicer Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the Deposit Account (with a corresponding credit to the Revenue Ledger maintained in respect of that account) until such Servicer Event of Default is either remedied by the relevant Servicer or waived by the Security Trustee or a new servicer is appointed to service the Portfolio (or the relevant part thereof);
- (i) *ninth*, in or towards a deposit to the Deposit Account, with a corresponding credit to the Reserve Ledger of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;
- (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 repayment to RBS of any Cash Capital Contributions made by RBS (in its capacity as a Member of the LLP) to credit the Coupon Payment Ledger of the Deposit Account;
- (m) *thirteenth*, in or towards payment of *pari passu* and *pro rata*, the RBS Deferred Consideration and the NWHL Deferred Consideration;
- (n) *fourteenth*, in or towards payment of the fee of £50 (inclusive of any VAT) due to the Liquidation Member; and
- (o) *fifteenth*, 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.

Any amounts (other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments) received by the LLP under the Interest Rate Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap to each relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement or, as the case may be, to the Issuer in respect of each relevant Term Advance under the Intercompany Loan Agreement (in which case, no further amounts will be paid to the Issuer under the Intercompany Loan, unless the Issuer has directed the LLP to make all such payments to the Principal Paying Agent) or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine unless an Asset Coverage Test Breach Notice has been served and remains outstanding.

Any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments) 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 in respect of principal)

due and payable to the Issuer in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine unless an Asset Coverage Test Breach Notice has been served and remains outstanding (in which case, no further amounts will be paid to the Issuer under the Intercompany Loan, unless the Issuer has directed the LLP to make all payments to the Principal Paying Agent).

Any amounts (other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments) received by the LLP under the Interest Rate Swap Agreement and any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts and other than Swap Provider Tax Payments) received under the Covered Bond Swap Agreements 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 paragraph (d) of the Pre-Acceleration Revenue Priority of Payments or the preceding two paragraphs will be credited to the Revenue Ledger and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

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 on the LLP 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 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 either:

- (a) the Issuer has paid or discharged the corresponding payment under the relevant Series of Covered Bonds; or
- (b) following a Cash Manager Relevant Event and for so long as a Cash Manager Relevant Event is continuing, the corresponding payment under the relevant Series of Covered Bonds has been paid from amounts standing to the credit of the Coupon Payment Ledger on the Deposit Account pursuant to the LLP Deed (in which case, the relevant amount shall be paid by the LLP to such account of the Issuer as is notified to the LLP by the Issuer for this purpose).

In addition, the Issuer has directed the LLP (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 the realisation of the Security) to pay all sums to be paid to the Issuer under the Intercompany Loan to the Bond Trustee or (if directed by the Bond Trustee) the Principal Paying Agent.

Amounts (if any) standing to the credit of the Transaction Account which are not available to be applied in accordance with paragraphs (a) to (o) of the Pre-Acceleration Revenue Priority of Payments above or paragraphs (a) to (e) of the Pre-Acceleration Principal Priority of Payments below will be recredited to the appropriate ledger in the Deposit Account on the LLP Payment Date.

Allocation and Distribution of Available Principal Receipts prior to 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 on the LLP 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, Available Principal Receipts will be allocated and distributed as described below.

On each Calculation Date, the LLP or the Cash Manager on its behalf will calculate the amount of Available Principal Receipts available for distribution on the immediately following LLP Payment Date.

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will transfer Available Principal Receipts from the Deposit Account to the Transaction Account, in an amount equal to the lower of (a) the amount required to make the payments or credits described below (taking into account any Available Principal Receipts standing to the credit of the Transaction Account) and (b) the amount of all Available Principal Receipts standing to the credit of the Deposit Account.

If an LLP Payment Date is the same as an Interest Payment Date, then the distribution of Available Principal Receipts under the Pre-Acceleration Principal Priority of Payments will be delayed until the Issuer has made scheduled interest and/or principal payments due and payable under the Covered Bonds on that Interest Payment Date unless the Issuer has directed the LLP to make payment under the Intercompany Loan Agreement directly to the Bond Trustee (or the Principal Paying Agent at the direction of the Bond Trustee).

Pre-Acceleration Principal Priority of Payments

Prior to service on the LLP of an Asset Coverage Test Breach Notice (which 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, all Available Principal Receipts (other than Cash Capital Contributions which are available to be applied to fund the Pre-Maturity Liquidity Ledger made from time to time by a Seller (in its capacity as a Member of the LLP)) as calculated on the immediately preceding Calculation Date will be applied by or on behalf of the LLP on each LLP Payment Date in making the following payments and provisions (the **Pre-Acceleration Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full to the extent the same are payable on the relevant LLP Payment Date) **PROVIDED THAT**:

- (i) so long as the amounts required pursuant to paragraph (a) below have been reserved for in full, the Cash Manager may, at the direction of the LLP, apply Available Principal Receipts on any London Business Day to acquire New Loans, Additional Loan Advances and Flexible Loan Drawings in accordance with paragraph (b) below and/or
 - (ii) so long as the amount required pursuant to paragraphs (a) to (d) (inclusive) below have been reserved for in full, the Cash Manager may, at the direction of the LLP, apply Available Principal Receipts on any London Business Day to make a Capital Distribution to a Member at the option of that Member.
- (a) *First*, if the Pre-Maturity Test has been failed by the Issuer in respect of any Series of Hard Bullet Covered Bonds, to credit the Pre-Maturity Liquidity Ledger in an amount up to but not exceeding the difference between:
- (i) the Required Redemption Amount 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 Ledger on the immediately preceding Calculation Date after deducting from that Ledger the Required Redemption Amount of all other 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,
- (b) *second*, to acquire New Loans and their Related Security and/or Additional Loan Advances and Flexible Loan Drawings offered to the LLP by the Sellers in accordance with the terms of the Mortgage Sale Agreements in an 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 and thereafter to acquire Substitution Assets;
- (c) *third*, to deposit the remaining Available Principal Receipts in the Deposit Account (with a corresponding credit to the Principal Ledger) in an amount sufficient to ensure that taking into

account the other resources available to the LLP, the LLP is in compliance with the Asset Coverage Test;

- (d) *fourth, 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 Providers (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 (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premia received from the relevant replacement Covered Bond Swap Provider) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
 - (ii) (where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine) the amounts (in respect of principal) due or to become due and payable to the Issuer pro rata and pari passu in respect of each relevant Term Advance; and
- (e) *fifth*, subject to complying with the Asset Coverage Test, and at the option of the relevant Member to make a Capital Distribution to RBS and NWHL (as a Member) by way of distribution of its equity in the LLP in accordance with the LLP Deed.

Unless an Asset Coverage Test Breach Notice has been served and remains outstanding, any amounts in respect of principal received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments directly to the Bond Trustee or (if so directed by the Bond Trustee) to the Principal Paying Agent unless either the Issuer has paid or discharged the corresponding payment under the relevant Series of Covered Bonds or, following a Cash Manager Relevant Event and for so long as a Cash Manager Relevant Event is continuing, the corresponding payment under the relevant Series of Covered Bonds has been paid from amounts standing to the credit of the Coupon Payment Ledger of the Deposit Account pursuant to the LLP Deed or (provided that all principal amounts outstanding under the related Series of Covered Bonds which have fallen due for repayment on such date have been repaid in full by the Issuer), to make payments in respect of principal due and payable to the Issuer in respect of the corresponding Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling in the future as the Cash Manager may reasonably determine.

Any amounts of principal (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 paragraph (d) above or the preceding paragraph will be credited to the Principal Ledger and applied as Available Principal Receipts on the next succeeding LLP Payment Date.

Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice which remains outstanding

At any time after service on the LLP of an Asset Coverage Test Breach Notice (which remains outstanding), but prior to service on the LLP of a Notice to Pay or service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments,

respectively, save that, whilst any Covered Bonds remain outstanding, no monies will be applied under paragraphs (e)(ii) (unless such amounts are to be paid directly to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent), (k) (to the extent only that such amounts are payable to the Members), (l) or (m) or (n) or (o) of the Pre-Acceleration Revenue Priority of Payments or paragraphs (b), (d)(ii) (unless such amounts are to be paid directly to the Bond Trustee or (if so directed by the Bond Trustee) or (e) of the Pre-Acceleration Principal Priority of Payments. For the avoidance of doubt, after service of an Asset Coverage Test Breach Notice but prior to service of a Notice to Pay, any amounts due from the Covered Bond Swap Provider shall be paid directly to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent.

Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay 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

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, Available Revenue Receipts and Available Principal Receipts will be applied as described below under "*Guarantee Priority of Payments*".

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will transfer Available Revenue Receipts and Available Principal Receipts from the Deposit Account to the Transaction Account, in an amount equal to the lower of (a) the amount required to make the payments set out in the Guarantee Priority of Payments and (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of the Deposit Account.

The LLP will create and maintain ledgers for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with paragraph (e) of the *Guarantee Priority of Payments* below, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swap(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 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, the LLP or the Cash Manager on its behalf will apply Available Revenue Receipts and Available Principal Receipts as calculated on the immediately preceding Calculation Date to make the following payments and provisions in the following order of priority (the **Guarantee Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) all amounts due and payable and any costs, charges, liabilities and expenses then due or to become due and payable to the Bond Trustee in the immediately succeeding LLP Payment Period under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (ii) all amounts due and payable and any costs, charges, liabilities and expenses then due or to become due and payable to the Security Trustee in the immediately succeeding LLP Payment Period under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable and any costs, charges, liabilities and expenses then due or to become due and payable to the Agents in the immediately succeeding LLP Payment Period pursuant to the provisions of the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
 - (ii) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for taxes;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding LLP Payment Period under the provisions of the Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding LLP Payment Period under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (iii) amounts (if any) due and payable to the Account Bank and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding LLP Payment Period to the Account Bank (including costs) pursuant to the terms of the Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (iv) amounts due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses due or to become due and payable in the immediately succeeding LLP Payment Period to the Corporate Services Provider pursuant to the Corporate Services Agreement together with applicable VAT (or similar taxes) thereon to the extent provided therein;
 - (v) amounts (if any) due and payable to the FSA or to become due and payable in the immediately succeeding LLP Payment Period under the RCB Regulations (other than the initial registration fees) together with applicable VAT (or other similar taxes) thereon; and
 - (vi) amounts due and payable to the Asset Monitor and any costs, charges, liabilities and expenses due or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor (other than the amounts referred to in paragraph (I) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
- (d) *fourth*, in or towards payment *pro rata* and *pari passu*, of any amounts due and payable to the relevant Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amount) or to become due and payable in the immediately succeeding LLP Payment Period (except

to the extent that such amounts have been paid out of any premia received from any replacement Interest Rate Swap Provider) pursuant to the terms of the Interest Rate Swap Agreement;

- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, 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 Agreement) of:
- (i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger of the Deposit Account, any amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the relevant Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (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 premia received from any relevant replacement Covered Bond Swap Provider) in accordance with the terms of the relevant Covered Bond Swap Agreements; and
 - (ii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger of the Deposit Account, and where appropriate, after taking into account any amounts (other than 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, any amounts due and payable to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of 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,

provided that if the amount available for distribution under this paragraph (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 (e)(ii) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swap under (e)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (f) *sixth*, *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 (or to become due and payable in the immediately succeeding LLP Payment Period) to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bond Swap due and payable by the LLP under the relevant Covered Bond Swap Agreement (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 any 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* 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,

provided that if the amount available for distribution under this paragraph (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 (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 (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 (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) (except to the extent that such amounts have been paid out of any premia received from any relevant replacement Covered Bond Swap Provider) pursuant to the terms of the relevant Covered Bond Swap Agreements; 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 paragraph (g) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Extended Covered Bonds under sub-paragraph (g)(ii) above, the shortfall shall be divided amongst all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under sub-paragraph (g)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(h) *eighth*, in respect of any Extended Covered Bonds where the Extended Due for Payment Date is more than one year from the relevant LLP Payment Date and any relevant Covered Bond Swap in respect thereof, on a *pro rata* and *pari passu* basis according to the respective amounts thereof 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) (except to the extent that such amounts have been paid out of any premia received from any 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 paragraph (h) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Extended Covered Bonds under sub-paragraph (h)(ii) above, the shortfall shall be divided amongst all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under sub-paragraph (h)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (i) *ninth*, to deposit the remaining monies in the Deposit Account for application on the next following LLP Payment Date in accordance with the priority of payments described in paragraphs (a) to (h) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);
- (j) *tenth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the LLP to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to each Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement;
- (k) *eleventh*, after the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), any remaining monies will be applied in and towards repayment in full of amounts outstanding under the Intercompany Loan Agreement;
- (l) *twelfth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed (and, if NWHL and/or RBS is not then a Member of the LLP, towards repayment of the relevant Subordinated Loan, as the case may be) any indemnity amount due to any members of the LLP Management Committee and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement; and
- (m) *thirteenth*, thereafter any remaining monies will be applied in or toward payment to the Members in accordance with the LLP Deed.

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, such termination payment will first be used (prior to the occurrence of an LLP Event of Default and 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) to pay a replacement Swap Provider(s) to enter into a replacement Swap with the LLP, unless a replacement Swap has already been entered into on behalf of the LLP. If the LLP receives any premium from a replacement Swap Provider in respect of a replacement Swap, such premium will first be used to make any termination payment due and payable by the LLP with respect to the previous Swap, unless such termination payment has already been made on behalf of the LLP.

Any amounts received by the LLP which are not applied to pay a premium to a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) will be credited to the Revenue Ledger and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

Any premium received by the LLP from a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) which are not applied to pay a termination payment to the replaced Swap Provider(s) will be credited to the Revenue Ledger and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

Application of monies received by the Security Trustee following the occurrence of an LLP Event of Default and enforcement of the Security, realisation of the Security and/or the commencement of winding-up proceedings against the LLP

Under the terms of the Deed of Charge, all monies received or recovered by the Security Trustee (or a Receiver appointed on its behalf) (excluding all amounts due or to become due in respect of any Tax Credits, Third Party Amounts, Swap Collateral Excluded Amounts or Swap Provider Tax Payments) following the enforcement of the Security, realisation of the Security and/or the commencement of winding-up proceedings against the LLP will be applied in the following order of priority (the **Post-Enforcement Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) all amounts due and payable to:
 - (A) the Bond Trustee under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein; and
 - (B) the Security Trustee and any Receiver appointed by the Security Trustee under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (ii) all amounts due and payable to the Agents under or pursuant to the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (iii) all amounts due and payable to:
 - (A) the Servicers under the provisions of the Servicing Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

- (B) the Cash Manager under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (C) the Account Bank under the provisions of the Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (D) the Corporate Services Provider under the provisions of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
 - (E) to the Asset Monitor under the provisions of the Asset Monitor Agreement (other than the amounts referred to in paragraph (d) below, together with applicable VAT (or other similar taxes) thereon, to the extent provided therein;
- (iv) any amounts due and payable to the Interest Rate Swap Provider (including any termination payment (but excluding any Excluded Swap Termination Amounts)) pursuant to the terms of the Interest Rate Swap Agreement;
 - (v) all amounts due and payable:
 - (A) to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement (but excluding any Excluded Swap Termination Amount)) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
 - (B) under the Covered Bond Guarantee, to the Bond Trustee on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (a)(v)(B) (excluding any amounts received from any Covered Bond Swap Provider in respect of amounts referred to in (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 (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 (A) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (b) *second, pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the LLP to the relevant Swap Provider under the relevant Swap Agreement;
- (c) *third*, after the Covered Bonds have been fully repaid, any remaining monies shall be applied in or towards repayment in full of all amounts outstanding under the Intercompany Loan Agreement;
- (d) *fourth*, 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
- (e) *fifth*, thereafter any remaining monies shall be applied in or towards payment to the Members pursuant to the LLP Deed.

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:

- (i) persons providing services for the benefit of Covered Bondholders (which pursuant to the RCB Regulations shall include the persons listed in paragraph (a) above (excluding the Swap Providers));
- (ii) the Swap Providers in respect of amounts due to them under paragraph (a) above; and
- (iii) any other persons (other than the Issuer) providing a loan to the LLP to enable it to meet the claims of Covered Bondholders or the costs of the people described in paragraphs (i) and (ii) above (e.g. liquidity loans),

will be expenses which will be payable out of the proceeds of realisation of the Security (in the case of a receivership) or the assets of the LLP (in the case of an administration, winding up or provisional liquidation), and shall rank equally among themselves in priority to all other expenses (including the claims of Covered Bondholders). See further, the section of this Prospectus entitled *Risk Factors – Expenses of Insolvency officeholders*.

THE PORTFOLIO

The Initial Portfolio and each New Portfolio acquired by the LLP (the **Portfolio**) consists (or will consist) of Loans and their Related Security sold by the Sellers to the LLP from time to time in accordance with the terms of the Mortgage Sale Agreements, as more fully described under the section of this Prospectus entitled "*Summary of the Principal Documents – Mortgage Sale Agreements*" above.

For the purposes of this Prospectus:

Initial Portfolio means the portfolio of Loans and their Related Security, particulars of which will be delivered on the First Transfer Date pursuant to the Mortgage Sale Agreements (other than any Loans and their Related Security which have been redeemed in full prior to the First Transfer Date), and includes 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 Loans and Related Security including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and any undertakings made or expressed to be made in favour of the relevant Seller under the applicable Mortgage Conditions;
- (b) subject where applicable to the subsisting rights of redemption of Borrowers, all Deeds of Consent, Deeds of Postponement, MH/CP Documentation or any collateral security for the repayment of the relevant Loans;
- (c) the right to exercise all the powers of the applicable Seller in relation thereto;
- (d) all the estate and interest in the Properties vested in the applicable 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 applicable Seller against any solicitor, licensed conveyancer, qualified conveyancer, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Loans and Related Security, or any part thereof or affecting the decision of that Seller to make or offer to make any such Loan or part thereof.

New Portfolio means, in each case, the portfolio of New Loans and their Related Security (other than any New Loans and their Related Security which have been redeemed in full prior to the relevant Transfer Date or which do not otherwise comply with the terms of the Mortgage Sale Agreements as at the relevant Transfer Date), particulars of which are set out in the relevant New Portfolio Notice or in a document stored upon electronic media (including, but not limited to, a CD-ROM), and including all right, title, interest and benefit of the applicable Seller in and to the rights and assets set out in paragraphs (a) to (e) above in relation to such New Loans and their Related Security.

See also the following risk factors under the section of the prospectus entitled "*Risk Factors – Risk Factors relating to the LLP – Limited description of the Portfolio – Maintenance of Portfolio – Changes to the Lending Criteria of the Sellers*".

DESCRIPTION OF THE UK REGULATED COVERED BOND REGIME

The RCB Regulations and the corresponding implementation provisions, set out in the new RCB Sourcebook to the FSA's Handbook (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 framework is intended to meet the requirements set out in Article 22(4) of Directive 85/611 EC on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended (the **UCITS Directive**). In general, covered bonds which are UCITS Directive-compliant benefit from higher prudential investment limits and may be ascribed a preferential risk weighting.

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 (amongst 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 FSA 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 (amongst other things) notify the FSA of various matters (including any proposed transfer of ownership of the asset pool) and, on insolvency of the issuer, make arrangements for the maintenance and administration of the asset pool (similar to the issuer obligations described above). While the framework has been shaped to generally accommodate existing UK covered bond structures, certain changes are required to ensure such structures to meet the requirements of the RCB Regulations.

The UK Financial Services Authority (the **FSA**) will perform certain supervision and enforcement related tasks in respect of the new regime, including admitting issuers and covered bonds to the relevant registers and monitoring compliance with ongoing requirements. To assist it with these tasks, the FSA has certain powers under the RCB Regulations. In particular, in certain circumstances the FSA 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. Moreover, as the body which regulates the financial services industry in the UK, the FSA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool).

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 1 April 2010.

See also the section of this Prospectus entitled "*Risk Factors – UK regulated covered bond regime*" and "*Expenses of insolvency officeholders*" above.

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 impose limited liability on the members, combined with the benefits of the flexibility afforded to partnerships generally and the legal personality afforded to companies.

Corporate characteristics

A limited liability partnership is more like a company than a traditional partnership. It is a body corporate with its own property and liabilities, separate from those of 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 in the initial liability partnership because it is a distinct 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 are entitled to assume that members, like company directors, are authorised to act on behalf of the limited liability partnership.

The provisions of the Companies Act 1985 and the Insolvency Act 1986 have been modified by the Limited Liability Partnerships Regulations 2001 (as amended by the Limited Liability Partnerships (Amendment) 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 traditional partnership. It has no share capital and there are no capital maintenance requirements. The members are free to agree how to share profits, who is responsible for management and how decisions are made, when and how new members are appointed and the circumstances in which its members retire. The members' agreement is a private document and there is no obligation to file it at Companies House.

Taxation

A limited liability partnership which carries on a trade or business with a view to profit (and which is not the subject of certain insolvency proceedings) is, generally speaking, treated as a partnership for corporation tax purposes. As such, the members of a limited liability partnership, and not the limited liability partnership itself, are subject to corporation tax in relation to the business of the limited liability partnership in broadly the same way that the members of a traditional partnership are subject to corporation tax in relation to the business of that partnership.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the LLP believe to be reliable, but none of the Issuer, the LLP, the Bond Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the LLP nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc. and the Financial Industry Regulatory Authority, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

DTC has advised the Issuer that it is the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC

Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC's records. The ownership interest of each actual purchaser of each Covered Bond (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. The deposit of DTC Covered Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Covered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to DTC Covered Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Covered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Covered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Principal Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or its nominee, the Principal Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Covered Bonds for Registered Definitive Covered Bonds, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Covered Bond, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Covered Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Covered Bonds, will be required to withdraw its Registered Covered Bonds from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Covered Bonds

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Covered Bond, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Covered Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Bond Trustee, the Security Trustee, the Principal Paying

Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC is the responsibility of the Issuer.

Transfers of Covered Bonds Represented by Registered Global Covered Bonds

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Covered Bonds have been deposited.

On or after the Issue Date for any Series, transfers of Covered Bonds of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Covered Bonds of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bond Trustee, the Security Trustee, the Issuer, the LLP, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

United Kingdom Taxation

The comments below are of a general nature based on current United Kingdom law and practice. They relate only to the position of persons who are the absolute beneficial owners of their Covered Bonds and all payments made thereon and may not apply to certain classes of persons such as dealers. They do not necessarily apply where the income is deemed for tax purposes to be income of any other person. Any holders of Covered Bonds who are in doubt as to their tax position should consult their professional advisers. The following comments relate only to withholding and do not deal with any other aspect of the United Kingdom taxation treatment that may be applicable to holders of Covered Bonds (including, for instance, income tax, capital gains tax and corporation tax). Prospective holders of Covered Bonds should note that the particular terms of issue of any Series of Covered Bonds as specified in the applicable Final Terms may affect the tax treatment of that and any other Series of Covered Bonds and should be treated with appropriate caution. The comments below do not deal with the tax consequences of any substitution of the Issuer in accordance with Condition 14 of the Covered Bonds.

Holders of Covered Bonds who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of Covered Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Covered Bonds. In particular, 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.

Payment of interest by the Issuer in respect of the Covered Bonds

While the Covered Bonds are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 (the **ITA**), payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange for the purposes of section 1005 of the ITA. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of FSMA) by the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange.

In addition, the Issuer, provided that it is and continues to be a bank within the meaning of section 991 of the ITA, and provided that the interest on the Covered Bonds is paid in the ordinary course of its business within the meaning of section 878 of the ITA, will be entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax. Interest will not be regarded as being paid in the ordinary course of business where the borrowing relates to the capital structure of the Issuer. The borrowing will be regarded as relating to the capital structure of the Issuer if it conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the UK Financial Services Authority, whether or not the borrowing actually counts towards tier 1, 2 or 3 capital for regulatory purposes.

Interest on the Covered Bonds may also be paid without withholding or deduction on account of United Kingdom income tax where, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Covered Bonds is paid reasonably believes) either:

- (i) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; or
- (ii) that the payment is made to one of the bodies or persons set out in sections 935 to 937 of the ITA,

provided that HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on Covered Bonds may be paid without withholding or deduction for or on account of United Kingdom income tax provided the maturity of the Covered Bonds is less than 365 days and those Covered Bonds do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In all other cases, an amount must be withheld from payments of interest on the Covered Bonds on account of United Kingdom income tax at the basic rate (currently 20%), subject to any direction to the contrary by HMRC under an applicable double taxation treaty.

Covered Bondholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the UK who either pays or credits interest to, or receives interest for the benefit of, a Covered Bondholder (regardless of whether tax is required to be withheld or deducted from such interest). HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Covered Bonds which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice is that it will not exercise its power to require this information in respect of amounts payable on the redemption of Covered Bonds where such amounts are paid on or before 5 April 2011. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Covered Bondholder is resident for tax purposes.

Payments by the LLP

If the LLP, pursuant to the Covered Bond Guarantee, makes any payment in respect of interest on the Covered Bonds (or any other amounts due under the Covered Bonds other than the repayment of amounts subscribed for under the Covered Bonds), such payment may be subject to United Kingdom withholding tax, whether or not the Covered Bonds are listed on a "recognised stock exchange" within the meaning of Section 1005 of ITA. 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 such additional amounts.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required, subject to certain exceptions (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). The attention of Covered Bondholders is drawn to Condition 7(e) and page 35 in the Risk Factors.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

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 1 April 2010, 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 Prospectus entitled "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*" above. The Issuer may pay the Dealers commission from time to time in connection with the sale of any Covered Bonds. In the Programme Agreement, the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

Transfer Restrictions

As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.

Each purchaser of Registered Covered Bonds (other than a person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A, (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (c) it is outside the United States and is not a U.S. person;
- (ii) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or any applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, unless it holds an interest in a Regulation S Global Covered Bond and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Covered Bonds, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;
- (iv) it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

- (v) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Covered Bonds, that Covered Bonds offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Covered Bonds and that Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;
- (vi) that the Covered Bonds, other than the Regulation S Global Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A **QUALIFIED INSTITUTIONAL BUYER** (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**)) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL **ACCREDITED INVESTOR** (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN **INSTITUTIONAL ACCREDITED INVESTOR**); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE AGENCY AGREEMENT) AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

- (vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE **AGENCY AGREEMENT**) AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE COVERED BONDS OF THE TRANCHE OF WHICH THIS COVERED BOND FORMS PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE (I) PURSUANT TO RULE 903 OR 904 OR REGULATION S UNDER THE SECURITIES ACT OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT."; and

- (viii) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Covered Bonds in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter, Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Covered Bonds will be issued in definitive registered form, see *Form of the Covered Bonds*.

The IAI Investment Letter will state, among other things, the following:

- (i) that the Institutional Accredited Investor has received a copy of this Prospectus and such other information as it deems necessary in order to make its investment decision;
- (ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Covered Bonds is subject to certain restrictions and conditions set forth in this Prospectus and the Covered Bonds (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Covered Bonds except in compliance with, such restrictions and conditions and the Securities Act;
- (iii) that, in the normal course of its business, the Institutional Accredited investor invests in or purchases securities similar to the Covered Bonds;
- (iv) that the Institutional Accredited Investor is an institution that is an accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such

knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Covered Bonds, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

- (v) that the Institutional Accredited Investor is acquiring the Covered Bonds purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Covered Bonds, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (vi) that, in the event that the Institutional Accredited Investor purchases Covered Bonds, it will acquire Covered Bonds having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Covered Bonds in the United States to any one purchaser will be for less than U.S.\$100,000 (or the approximate equivalent in another Specified Currency) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or the approximate equivalent in another Specified Currency) principal amount and no Legended Covered Bond will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person (or whom it is acting must purchase at least U.S.\$100,000 (or the approximate equivalent in another Specified Currency) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or the approximate equivalent in another Specified Currency) principal amount of Registered Covered Bonds.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.\$100,000 (or the approximate equivalent in another Specified Currency).

Selling Restrictions

United States

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

In connection with any Covered Bonds which are offered or sold outside the United States in reliance on Regulation S (**Regulation S Covered Bonds**), each Dealer has represented, warranted and agreed that it has not offered or sold or delivered any Regulation S Covered Bonds, and will not offer, sell or deliver any Regulations S Covered Bonds (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Each Dealer has further agreed that it will send to each distributor, dealer or persons receiving a selling concession, fee or other remuneration to which it sells any Regulation S Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on

offers and sales of the Regulation S Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of a Tranche of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

In respect of Bearer Covered Bonds where TEFRA D is specified in the applicable Final Terms:

- (i) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the **D Rules**), each Dealer has (i) represented, warranted and agreed that it has not offered or sold, and agrees that during the restricted period it will not offer or sell, Bearer Covered Bonds to a person who is within the United States or its possessions or to a United States person, and (ii) represented, warranted and agreed that it has not delivered and agrees that it will not deliver within the United States or its possessions Bearer Definitive Covered Bonds that are sold during the restricted period;
- (ii) each Dealer has represented, warranted and agreed that it has and that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Covered Bonds are aware that such Bearer Covered Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (iii) each Dealer which is a United States person has represented, warranted and agreed that it is acquiring Bearer Covered Bonds for purposes of resale in connection with their original issuance and that if it retains Bearer Covered Bonds for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6);
- (iv) with respect to each affiliate that acquires Bearer Covered Bonds from a Dealer for the purpose of offering or selling such Bearer Covered Bonds during the restricted period, such Dealer has repeated and confirmed the representations, warranties and agreements contained in (i), (ii), (iii) and (v) on such affiliate's behalf; and
- (v) each Dealer has represented, warranted and agreed that it will obtain from any distributor (within the meaning of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(4)(ii)) that purchases any Bearer Covered Bonds from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations and warranties contained in, and such distributor's agreement to comply with, the provisions of (i), (ii), (iii) and (iv) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

Terms used in the above paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and the U.S. Treasury regulations thereunder (the **Regulations**), including the D Rules.

In respect of Bearer Covered Bonds where TEFRA C is specified in the applicable Final Terms, each Dealer has represented that it understands that under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C) (the **C Rules**) such Bearer Covered Bonds must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented, warranted and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Covered Bonds within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented, warranted and agreed in connection with the original issuance of such Bearer Covered Bonds that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either the Dealer or such prospective purchaser is within the United States or its possessions or otherwise involve a U.S. office of the Dealer in the offer or sale of such Bearer Covered

Bonds. Terms used in this paragraph have the meanings given to them by the Code and the Regulations, including the C Rules.

Notwithstanding anything above to the contrary Rule 144A Covered Bonds may be offered and sold pursuant to a private placement in the United States or to or for the account or benefit of U.S. Persons, and in connection therewith each Dealer has represented, warranted and agreed that:

- (i) offers, sales, resales and other transfers of Covered Bonds made in the United States or to or for the account or benefit of U.S. Persons made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be made with respect to Rule 144A Covered Bonds only and shall be effected pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (ii) offers, sales, resales and other transfers of Rule 144A Covered Bonds made in the United States or to or for the account or benefit of U.S. Persons will be made only in private transactions (1) so long as the Covered Bonds are eligible for resale pursuant to Rule 144A under the Securities Act to institutional investors that are reasonably believed to qualify as qualified institutional buyers within the meaning of Rule 144A (each such institutional investor being hereinafter referred to as a **QIB**), (2) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available) and in each of such cases in accordance with any applicable securities laws of any State of the United States or other applicable jurisdiction or (3) pursuant to another available exemption from registration under the Securities Act (if any). Each Dealer agrees to notify the related purchaser of Rule 144A Covered Bonds of the private offering nature of such purchase and, accordingly, that such Covered Bonds are subject to the resale and other transfer restrictions referred to above. Neither any Dealer nor the Issuer, nor the LLP or any Seller will be liable for any resales or other transfers made in violation of the foregoing conditions if such resale or transfer was not made by or through the party against whom such liability is sought to be imposed;
- (iii) the Rule 144A Covered Bonds will be offered in the United States or to or for the account or benefit of U.S. Persons only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the Rule 144A Covered Bonds in the United States;
- (iv) no sale of Rule 144A Covered Bonds in the United States to any one QIB will be for less than U.S.\$100,000 (or the approximate equivalent in another Specified Currency) principal amount and no Covered Bonds will be issued in connection with such a sale in a smaller principal amount. If such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$100,000 (or the approximate equivalent in another Specified Currency) principal amount of the Covered Bonds. The U.S.\$100,000 minimum purchase amount (or the approximate equivalent in another Specified Currency) applies to Covered Bonds of each maturity and interest rate (or method of calculating interest) and may not be spread among Covered Bonds of different maturities or interest rates (or methods of calculating interest);
- (v) each Rule 144A Covered Bond sold as a part of a private placement in the United States or to or for the account or benefit of U.S. Persons and each Regulation S Covered Bond shall contain a legend in substantially the form set out on the face of such Covered Bond in the Trust Deed; and
- (vi) each Dealer may offer and sell Covered Bonds in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) only if such Dealer is a registered broker-dealer in the United States or through its selling agent which is a registered broker-dealer in the United States in compliance with the Exchange Act.

The Issuer has represented, warranted and agreed that any resale or other transfer, or attempted resale or other transfer of Covered Bonds sold as part of a private placement in the United States made other than in

compliance with the restrictions set out above shall not be recognised by the Issuer, the LLP or any Seller or any agent of the Issuer, the LLP or any Seller and shall be void.

Each issue of Variable Interest Covered Bonds may be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Covered Bonds, which additional U.S. selling restrictions shall be set out in the applicable Final Terms. The relevant Dealer agrees that it shall offer, sell and deliver such Covered Bonds only in compliance with such additional U.S. selling restrictions.

Each issuance of Index Linked Covered Bonds or Dual Currency Covered Bonds shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer(s) may agree as a term of the issuance and purchase of such Covered Bonds, which additional selling restrictions shall be set out in the applicable Final Terms.

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 (and all rules and regulations made pursuant to the FSMA) with respect to anything done by it in relation to any 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 FSMA by the Issuer..

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended (the **FIEA**)) and each Dealer has represented, warranted and agreed that it has not and will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law 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, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Covered Bonds which are the subject of an offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the

Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Czech Republic

No permit for the issue of the Covered Bonds has been obtained (including the obtaining of the approval of the terms and conditions of the Covered Bonds) from the Czech National Bank under Act of the Czech Republic No. 190/2004 Coll., on Bonds, as amended (the **Bonds Act**). No action has been taken (including the obtaining of the prospectus approval from the Czech National Bank and the admission to trading on a regulated market (as defined in Section 55 of Act of the Czech Republic No. 256/2004 Coll., on Conducting Business in the Capital Market, as amended (the **Capital Market Act**)) for the purposes of the Covered Bonds to qualify as listed securities within the meaning of Section 2(1)(1) of the Capital Market Act.

Each Dealer has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Covered Bonds in the Czech Republic through a public offering, being – subject to several exemptions set out in the Capital Market Act – any communication to a broader circle of persons containing information on the securities being offered and the terms under which they may acquire the securities and which are sufficient for the investor to make a decision to subscribe for, or purchase, such securities.

Each Dealer has represented, warranted and agreed that it has complied with and will comply with all the requirements of the Capital Market Act and the Bonds Act and has not taken, and will not take, any action which would result in the Covered Bonds being deemed to have been issued in the Czech Republic or requiring a permit, registration, filing or notification to authorities in the Czech Republic in respect of the Bonds in accordance with the Capital Market Act, the Bonds Act.

Each Dealer has represented warranted and agreed with the Issuer and each other Dealer that it has complied with and will comply with all the laws of the Czech Republic applicable to the conduct of business in the Czech Republic (including the laws applicable to the provision of investment services (within the meaning of the Capital Market Act) in the Czech Republic) in respect of the Covered Bonds.

Russia

Each Dealer has represented, warranted and agreed that the Covered Bonds will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian Law. Since neither the issuance of the Covered Bonds nor a Russian securities prospectus in respect of the Covered Bonds has been registered, or is intended to be registered, with the Federal Service for Financial Markets of the Russian Federation, the Covered Bonds are not eligible for placement or public circulation in the Russian Federation.

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 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 Sellers, the Bond Trustee, the Security Trustee nor any of the other Dealers shall have any responsibility therefor. Furthermore, they will not directly or indirectly offer, sell or deliver any Covered Bonds or distribute or publish any form of application, 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 Sellers, 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 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 they offer or sell Covered Bonds a copy of this Prospectus as then amended or supplemented or, unless delivery of the Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in the Prospectus in connection with the offer and sale of Covered Bonds to which this Prospectus relates.

This Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Covered Bonds have been duly authorised by resolutions of the board of directors of the Issuer dated 28 October 2009 and by resolutions adopted by the GALCO Committee, a sub-committee of the Group Asset and Liability Management Committee having such delegated authority by the Board of Directors of the Issuer at a meeting held on 30 March 2010. The giving of the Covered Bond Guarantee has been duly authorised by a resolution of the members of the LLP dated 31 March 2010.

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 regulated market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond, a Regulation S Global Covered Bond, a Rule 144A Global Covered Bond or a Definitive IAI Registered Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche. The listing of the Programme in respect of Covered Bonds is expected to be granted on or about 6 May 2010.

Documents Available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available to the Covered Bondholders during usual business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer and from the specified office of the Principal Paying Agent:

- (i) the constitutive documents of the LLP and the Issuer;
- (ii) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Receipts, the Coupons and the Talons;
- (iii) a copy of this Prospectus and all documents incorporate by reference herein;
- (iv) any future prospectuses, information memoranda and supplementary prospectuses and any Final Terms (save that Final Terms relating to an unlisted Covered Bond will be available for inspection only by the relevant Dealer or Dealers specified in such Final Terms or, upon proof satisfactory to the Principal Paying Agent or the Registrar, as the case may be, as to the identity of the holder of any Covered Bond to which such Final Terms relate) to this Prospectus and any other documents incorporated herein or therein by reference; and
- (v) each Transaction Document (other than the Final Terms as specified above).

In addition, copies of this Prospectus, any documents incorporated by reference and each Final Terms relating to the Covered Bonds which are admitted to trading on the regulated market of the London Stock Exchange will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/engb/pricesnews/marketnews/.

Clearing Systems

The Bearer Covered Bonds to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Registered Covered Bonds

to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

No Significant Change and No Material Adverse Change

There has been no significant change in the trading or financial position of the Issuer or the Issuer and its subsidiaries (the **Issuer Group**) taken as a whole since 31 December 2009 (the end of the last financial period for which either audited financial information or interim financial information has been published).

There has been no material adverse change in the prospects of the Issuer Group taken as a whole since 31 December 2009 (the last date to which the latest audited published financial information of the Issuer Group was prepared).

There has been no material adverse change in the prospects of the LLP since the date of its incorporation on 22 October 2009.

There has been no significant change in the financial or trading position of the LLP since the date of its incorporation on 22 October 2009.

Litigation

Other than as set out in the section entitled “Litigation” on pages 42 to 44 (excluding the sub- headings “World Online International N.V.” and “Summary of other disputes, legal proceedings and litigation”) of the RBS Registration Document, neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months prior to the date of this Prospectus, which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer and its subsidiaries taken as a whole.

The LLP has not been involved in any governmental, legal or arbitration proceeding which may have or have had since the date of its incorporation on 22 October 2009, a significant effect on the financial position or profitability of the LLP nor, so far as the LLP is aware, are any such proceedings pending or threatened.

Auditors

The consolidated financial statements of RBS for the years ended 31 December 2009 and 2008 have been audited by Deloitte LLP (name changed from Deloitte & Touche LLP on 1 December 2008), Chartered Accountants (authorised and regulated by the Financial Services Authority for designated investment business), whose address is 2 New Street Square, London EC4A 3BZ.

The financial information contained in the RBS Registration Document in relation to the Issuer does not constitute the Issuer’s statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2008 to which the financial information in the RBS Registration Document relate have been delivered to the Registrar of Companies in Scotland. Statutory accounts of the Issuer for the year ending 31 December 2009 have been delivered to the Registrar of Companies in Scotland.

Deloitte LLP has reported on such statutory accounts and such reports were unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The auditor of the LLP is Deloitte LLP, chartered accountants and registered auditor. There have been no financial statements prepared for the LLP as at the Initial Programme Date.

Reports

The Trust Deed provides that the Bond Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Bond Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

The Issuer provides monthly Investor Reports detailing, among other things, compliance with the Asset Coverage Test. Investor Reports shall be posted on the Issuer's website at <http://www.investors.rbs.com>. Copies of the applicable Final Terms for each series (including in relation to unlisted Covered Bonds of any Series) are available to Covered Bondholders during normal business hours at the registered office of the Issuer and at the specified office of each of the Paying Agents.

Contracts

Other than disclosed in the documents incorporated by reference, the Issuer is not aware of any material contracts having been entered into outside the ordinary course of Issuer's business, and which could result in any member of the RBS Group being under an obligation or entitlement that is material to its ability to meet its obligation to Covered Bondholders in respect of the Covered Bonds that may be issued.

GLOSSARY

30/360, 360/360, or Bond Basis	The meaning given in Condition 4(b)(iv)(E) on page 126;
30E/360 (ISDA)	The meaning given in Condition 4(b)(iv)(G) on page 127;
30E/360 or Eurobond Basis	The meaning given in Condition 4(b)(iv)(F) on page 127;
1999 Regulations	The Unfair Terms in Consumer Contracts Regulations 1999, as amended;
€ or euro	The lawful currency for the time being of the member states of the European Union that have adopted or may adopt the single currency in accordance with the treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the treaty on European Union;
£ and Sterling	The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;
\$ and U.S. Dollars	The lawful currency for the time being of the United States of America;
¥, Yen and JPY	The lawful currency for the time being of Japan;
Account Bank	RBS in its capacity as such under the Bank Account Agreement together with any successor or replacement account bank appointed from time to time;
Account Bank Required Ratings	The meaning given on page 194;
Accrual Period	The relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date;
Accrued Interest	In respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date;
Actual/Actual (ICMA)	The meaning given in Condition 4(a) on page 122, and/or, in the case of N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Actual/Actual or Actual/Actual (ISDA)	The meaning given in Condition 4(b)(iv)(A) on page 126, and/or, in the case of N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Actual/360	The meaning given in Condition 4(b)(iv)(D) on page 126, and/or, in the case of N Covered Bonds, the meaning set

	out in the relevant N Covered Bond Conditions (if applicable);
Actual/365 (Fixed)	The meaning given in Condition 4(b)(iv)(B) on page 126, and/or, in the case of N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Actual/365 (Sterling)	The meaning given in Condition 4(b)(iv)(C) on page 126, and/or, in the case of N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Additional Loan Advance	A further drawing (including, but not limited to, Further Advances) in respect of Loans sold by the Sellers to the LLP, following the making of the Initial Advance, which in each case is secured by the same Mortgage as the Initial Advance, and including any retention in respect of the Initial Advance;
Adjusted Required Redemption Amount	The meaning given in the section in the Prospectus entitled " <i>Summary of the Principal Documents</i> " on page 170;
Agency Agreement	The agency agreement dated the Initial Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Exchange Agent, the Registrar and the Transfer Agent;
Agent	Each of the Paying Agents, the Registrar, the Exchange Agent and the Transfer Agent;
Aggregate Adjusted Asset Amount	The meaning given in the section in the Prospectus entitled " <i>Summary of the Principal Documents</i> " on page 181;
Amortisation Test	The test as to whether the Amortisation Test Aggregate Loan Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date;
Amortisation Test Aggregate Loan Amount	The meaning given in the section in the Prospectus entitled " <i>Summary of the Principal Documents</i> " on page 184;
Amortisation Test True Balance	The meaning given in the section in the Prospectus entitled " <i>Summary of the Principal Documents</i> " on page 184;
Amortised Face Amount	The meaning given in the section in the Prospectus entitled " <i>Terms and Conditions of Covered Bonds</i> " on page 139 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Applicable Final Terms	The meaning given on page 65;
Arranger	The Royal Bank of Scotland 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;
Arrears Adjusted True Balance	The meaning given in the section in the Prospectus entitled " <i>Summary of the Principal Documents</i> " on page 181;
Arrears of Interest	As at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date;
Asset Coverage Test	The test as to whether the Aggregate Adjusted 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;
Asset Coverage Test Breach Notice	The notice required to be served by the Bond Trustee if the Asset Coverage Test has not been met on two consecutive Calculation Dates (subject to the Bond Trustee having actual knowledge or express notice of the same);
Asset Monitor	Deloitte LLP, or such other replacement Asset Monitor appointed as such under the Asset Monitor Agreement;
Asset Monitor Agreement	The asset monitor agreement entered into on the Initial Programme Date between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee;
Asset Monitor Report	The results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee;
Asset Percentage	The meaning given in the section of the Prospectus " <i>Summary of the Principal Documents</i> " on page 183;
Asset Pool	All assets of the LLP from time to time including but not limited to the Portfolio, any Substitution Assets, any Authorised Investments, the rights of the LLP 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;
Associated Debt	Any indebtedness a Borrower owes or may owe to RBS, from time to time, other than its relevant Loan which is not assigned to the LLP;
Associated Debt Amount	Any amount paid to RBS by a Borrower and received by the LLP, which is referable to the Associated Debt;

Authorised Investments

- (a) Sterling gilt-edged securities;
- (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) provided that in all cases such investments will mature on or before the next following LLP Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least P-1 by Moody's and F1 by Fitch or their equivalents by two other internationally recognised rating agencies, and
- (c) In relation to investments made with funds standing to the credit of the Deposit Account only, have a rate of return equal to or exceeding One-Month Sterling LIBOR;

provided that such Authorised Investments comply with the requirements of Regulation 2(1)(a) of the RCB Regulations (to the extent they apply);

Available Principal Receipts

On a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

- (a) the amount of Principal Receipts received during the immediately preceding Calculation Period and credited to the Principal Ledger (but, for the avoidance of doubt, excluding any Principal Receipts received in the Calculation Period beginning in the month in which the relevant Calculation Date falls) less any Principal Receipts applied during such Calculation Period to acquire New Portfolios;
- (b) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any Term Advance (where such proceeds have not been applied to acquire New Portfolios or invest in Substitution Assets), (ii) any Cash Capital Contributions received from a Member (other than any Cash Capital Contribution to the extent representing any Required Coupon Amount or any Required Coupon Amount Shortfall and any Cash Capital Contributions credited to the Revenue Ledger); and (iii) the proceeds from any sale of Selected Loans pursuant to the terms of the LLP Deed or the Mortgage Sale Agreements but excluding any amount in respect of principal received by the LLP under each Covered Bond Swap Agreement;

(c) 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 Ledger 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 Ledger); and

(d) any Excess Proceeds;

but shall not include

(e) Third Party Amounts, which shall be paid on receipt in cleared funds to the relevant Seller;

(f) any Swap Collateral Excluded Amounts (to the extent otherwise constituting Available Principal Receipts);

(g) any Tax Credits and any amount received by the LLP from a Member in respect of Tax Credits (to the extent otherwise constituting Available Principal Receipts);

(h) any Swap Provider Tax Payments received from any Swap Providers (to the extent otherwise constituting Available Principal Receipts); and

(i) any Associated Debt Amounts (to the extent otherwise constituting Available Principal Receipts);

Available Revenue Receipts

On a relevant Calculation Date, an amount equal to the aggregate of:

(a) the amount of Revenue Receipts received during the previous Calculation Period and credited to the Revenue Ledger;

(b) other net income of the LLP including all amounts of interest received on the LLP Accounts, the Substitution Assets and Authorised Investments in the previous Calculation Period but excluding amounts received by the LLP under the Interest Rate Swap Agreement and under each Covered Bond Swap Agreement;

(c) prior to the service of a Notice to Pay amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;

- (d) any other amounts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger on the LLP Accounts;
- (e) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund 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) amounts standing to the credit of the Coupon Payment Ledger in excess of the Required Coupon Amount for the next following LLP Payment Date;

but shall not include

- (g) Third Party Amounts, which shall be paid on receipt in cleared funds to the relevant Seller;
- (h) any Tax Credits and any amount received by the LLP from a Member in respect of Tax Credits (to the extent otherwise constituting Available Revenue Receipts);
- (i) any Swap Provider Tax Payments received from Swap Providers (to the extent otherwise constituting Available Revenue Receipts);
- (j) any Swap Collateral Excluded Amounts (to the extent otherwise constituting Available Revenue Receipts);
- (k) any amount standing to the credit of the Coupon Payment Ledger representing the Required Coupon Amount as at the next following LLP Payment Date; and
- (l) any Associated Debt Amounts (to the extent otherwise constituting Available Revenue Receipts);

Bank Account Agreement

The bank account agreement to be entered into on the Initial Programme Date (and as further amended, amended and restated and/or supplemented from time to time) between the LLP, the Account Bank, the Cash Manager and the Security Trustee;

Bearer Covered Bonds

Covered Bonds in bearer form;

Bearer Definitive Covered Bonds

A Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance

with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed in exchange for either a Temporary Global Covered Bond or part thereof or a Permanent Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Bearer Covered Bond in definitive form being in the form or substantially in the form set out in Part 3 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer or Lead Manager (in the case of syndicated Issues) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bonds in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue;

Bearer Global Covered Bond	The meaning given on page 65;
Banking Act	The Banking Act 2009;
Beneficial Owner	Each actual purchaser of each DTC Covered Bond;
BoE Base Rate	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;
Bond Trustee	Citicorp Trustee Company 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;
Borrower	In relation to a Loan, the individual or individuals specified as such in the relevant Mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay such Loan or any part of it;
Buildings Insurance Policies	All buildings insurance policies relating to Properties taken out (a) in the name of the relevant Borrower and (b) in the name of the landlord in the case of leasehold Properties where the relevant landlord is responsible for insuring the Property;
Business Day	The meaning given in the section in the Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 124 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions;

Buy-to-Let Loan	A Loan that has been made to a Borrower who wishes to purchase or remortgage the relevant Property for the purpose of letting to third parties either by way of assured short hold tenancy or by way of a tenancy which would be an assured short hold tenancy but for the level of rent payable under the tenancy exceeding the maximum amount prescribed for such tenancies, or in respect of Scottish Mortgages, a short assured tenancy, but does not include any Loan that was originally made to a Borrower as a mortgage product other than a buy-to-let residential mortgage loan;
Buy-to-Let Variable Rate Loan	A Buy-to-Let Loan which is offered by National Westminster Home Loans Limited, and in respect of which interest is calculated by reference to the NWHL Buy-to-Let Variable Rate;
Calculation Agent	In relation to all or any Series of the Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer and the LLP pursuant to 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;
Calculation Date	The 17th day of each month (or, if that day is not a London Business Day, then the immediately preceding Business Day). The first Calculation Date will be the 17th day of the calendar month immediately following the First Transfer Date;
Calculation Period	The period from, and including, a Calculation Date to, but excluding, the following Calculation Date save in the case of the first Calculation Period will be the period from and including the First Transfer Date to but excluding the first Calculation Date;
Capital Account Ledger	The ledger maintained by the Cash Manager on behalf of the LLP in respect of each Member to record the balance of each Member's Capital Contributions from time to time;
Capital Balance	For a Loan at any date the principal balance of that Loan to which the relevant Servicer applies the relevant interest rate at which interest on that Loan accrues;
Capital Contribution	In relation to each Member, the aggregate of the capital contributed by that Member to the LLP from time to time by way of Cash Capital Contributions and Capital Contributions in Kind as determined on each Calculation Date in accordance with the formula set out in the LLP Deed;
Capital Contribution Balance	The balance of each Member's Capital Contributions as recorded from time to time in the relevant Member's Capital Account Ledger;

Capital Contributions in Kind	A contribution of Loans and their Related Security, to the LLP in an amount equal to (a) the aggregate of the True Balance of those Loans as at the relevant Transfer Date minus (b) any cash payment paid by the LLP for such Loans and their Related Security on that Transfer Date;
Capital Distribution	Any return on a Member's Capital Contribution in accordance with the terms of the LLP Deed (and excluding, for the avoidance of doubt, any Deferred Consideration);
Capitalised Expenses	In relation to a Loan, at any date, the amount of any expense, charge, fee, premium or payment (excluding any Arrears of Interest, but including any Higher Lending Charge) capitalised and added to the Capital Balance of that Loan in accordance with the relevant Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
Capitalised Interest	For any Loan at any date, Arrears of Interest which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
Capped Rate Loans	Loans which are linked to the relevant Seller Standard Variable Rate but which are also subject to a maximum rate of interest for a fixed period;
Cash Capital Contributions	A Capital Contribution made in cash;
Cash Management Agreement	The cash management agreement entered into on the Initial Programme Date (and as further amended, amended and restated and/or supplemented from time to time) between the LLP, RBS in its capacity as the Cash Manager, a Seller and a Servicer, the Security Trustee and the Bond Trustee;
Cash Manager	RBS, in its capacity as cash manager under the Cash Management Agreement together with any successor cash manager appointed from time to time;
Cash Manager Relevant Event	If the Cash Manager and the Issuer are the same entity and Cash Manager's long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's falls below Baa1 and BBB+ by Fitch;
CCA	Consumer Credit Act 1974, as amended from time to time;
CCA 2006	Consumer Credit Act 2006, as may be amended from time to time;
CCA Trusts	The meaning given to it in the section in the Prospectus entitled "Summary of the Principal Documents" on page 164;

CCA Trust Property	All Loans and their Related Security subject to the CCA Trusts;
CGCB	The meaning given on page 120;
Certificate of Title	A solicitor's, licensed conveyancer's or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the relevant Seller in respect of each Property substantially in the form of the pro-forma set out in the Standard Documentation;
Charged Property	The property secured by the LLP pursuant to the Deed of Charge;
Clearing Systems	DTC, Euroclear and/or Clearstream, Luxembourg and shall be deemed to include references to any additional or alternative clearing system as is approved by the Issuer, the Principal Paying Agent and the Bond Trustee or as may otherwise be specified in the applicable Final Terms;
Clearstream, Luxembourg	Clearstream Banking, société anonyme;
CML	Council of Mortgage Lenders;
CML Code	The mortgage code issued by the CML;
Common Depository	The common depository for Euroclear and Clearstream, Luxembourg;
Conditions	<p>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 and (as the context so requires), the N Covered Bond Conditions relating to each Series of N Covered Bonds as modified and/or supplemented by the N Covered Bond Agreement.</p> <p>References in this Prospectus to the Conditions or a particularly numbered Condition shall be construed, where relevant (and unless specified otherwise), to include the equivalent Condition in the N Covered Bond Conditions as supplemented by the relevant N Covered Bond Agreement;</p>
Consumer Credit Directive	The meaning given on page 60;
Corporate Services Agreement	The corporate services agreement entered into by each of the Liquidation Member and Holdings, the Corporate Services Provider, the Share Trustee and the LLP dated the Initial Programme Date;
Corporate Services Provider	Structured Finance Management Limited, a company incorporated in England and Wales in its capacity as

corporate services provider to Holdings and the Liquidation Member under the Corporate Services Agreement, together with any successor corporate services provider appointed from time to time;

Couponholders

The holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons);

Coupons

The meaning given in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 115;

Coupon Payment Ledger

The ledger maintained by the Cash Manager on the Deposit Account pursuant to the Cash Management Agreement, to record the crediting of Required Coupon Amounts and any debiting of the same;

Covered Bond

Each covered bond (including N Covered Bonds but excluding any N Covered Bond where the relevant N Covered Bondholder has not entered into an N Covered Bond Agreement relating to that Series of N Covered Bonds or where such N Covered Bondholder has breached the terms of the N Covered Bond Agreement relating to such Series of N Covered Bonds) 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 or, in the case of any N Covered Bond, by an N Covered Bond Certificate and includes any replacements for a Covered Bond issued pursuant to Condition 10 (Replacement of Covered Bonds, Receipts, Coupons and Talons) or, in the case of N Covered Bond, pursuant to Condition 10 (Replacement of the Certificate) of the N Covered Bond Conditions;

Covered Bondholders

The meaning given in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 117;

Covered Bond Guarantee

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;

Covered Bond Swaps

Each of the Swap transactions governed by a Covered Bond Swap Agreements;

Covered Bond Swap Agreement

Each agreement between the LLP, a Covered Bond Swap Provider and the Security Trustee (as may be amended, amended and restated and/or supplemented from time to time) governing Covered Bond Swap(s) entered into with such Covered Bond Swap Provider in the form of an ISDA Master Agreement, including a schedule, credit support annex and a confirmation in relation to each Covered Bond Swap entered into thereunder;

Covered Bond Swap Early Termination Event	The meaning given in the section in the Prospectus entitled " <i>Summary of the Principal Documents</i> " on page 192;
Covered Bond Swap Provider	Each provider of a Covered Bond Swap under a Covered Bond Swap Agreement;
Covered Bond Swap Rate	In relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap(s) relating to such Covered Bond or Series of Covered Bonds or, if the relevant Covered Bond Swap(s) have been terminated, the applicable spot rate;
Custodian	Any custodian with whom the relevant Registered Global Covered Bonds have been deposited;
Credit Linked Covered Bonds	Covered Bonds in respect of which payments will be calculated by reference to the creditworthiness of, performance of obligations by or some other factor relating to one or more Reference Entities, as set out in the applicable Final Terms;
Day Count Fraction	In the case of a Fixed Rate Covered Bond, the meaning given in Condition 4(a) in the section in the Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 122 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable) and in the case of a Floating Rate Covered Bond, the meaning given in Condition 4(b) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 126 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Dealer	The Royal Bank of Scotland plc and any other 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 Programme Agreement. References in this Prospectus to the relevant Dealer(s) shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Covered Bonds;
Deed of Charge	The deed of charge dated the Initial Programme Date (and as further amended, amended and restated and/or supplemented from time to time) and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors;

Deed of Consent	A deed whereby a person in or intended to be in occupation of a Property agrees with the relevant Seller to postpone his or her interest (if any) in the Property so that it ranks after the interest created by the relevant Mortgage;
Deeds of Postponement	Together, the English Deeds of Postponement and the Scottish Deeds of Postponement and Deed of Postponement means any one of them;
Defaulted Loan	Any Loan in the Portfolio which is greater than or equal to three months in arrears in relation to its Monthly Payment;
Defaulted Loans Notice	A notice or schedule from the Cash Manager to a Seller identifying any Defaulted Loan in the form set out in the Cash Management Agreement;
Deferred Consideration	As the case may be, the NWHL Deferred Consideration and/or the RBS Deferred Consideration;
Definitive Covered Bond	A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;
Definitive IAI Registered Covered Bonds	The meaning given in the section in the Prospectus entitled " <i>Form of Covered Bonds</i> " on page 67;
Definitive Regulation S Covered Bond	A Registered Covered Bond in definitive form sold to non-U.S. persons outside the United States in reliance on Regulation S;
Definitive Rule 144A Covered Bond	A Registered Covered Bond in definitive form sold to QIBs pursuant to Rule 144A;
Delegation Agreement	The delegation agreement entered into on the Initial Programme Date (and as amended, amended and restated and/or supplemented from time to time) between NWHL and RBS in respect of the role of NWHL as a Servicer under the Servicing Agreement;
Dematerialised Loan	A Loan completed on or after 1 January 2004 over a Property located in England or Wales in respect of which a Seller does not retain the Title Deeds;
Deposit Account	The account (with sort code 160400, account number 31303313) opened in the name of the LLP held with the Account Bank and maintained subject to the terms of the Bank Account Agreement and the Transaction Documents, or such additional or replacement account as may be for the time being be in place with the prior consent of the Security Trustee;
Depositor Set-off Percentage	The meaning given on page 183;
Depositor Set-off Determination Date	If (a) the long-term unsubordinated, unguaranteed debt rating of the Issuer is rated at least A by Fitch and the

short-term unsubordinated, unguaranteed debt rating of the Issuer is rated at least F1 by Fitch, January and July in each year or (b) the long-term unsubordinated debt rating of the Issuer is rated less than A by Fitch or the short-term unsubordinated, unguaranteed debt rating of the Issuer is rated less than F1 by Fitch, any day in July, October and January and April in each year (or if such day is not a London Business Day, the next following London Business Day PROVIDED that, if the long-term unsubordinated, unguaranteed debt rating of the Issuer is again rated at least A by Fitch and the short-term unsubordinated, unguaranteed debt rating of the Issuer is again rated at least F1 by Fitch, the Depositor Set-off Determination Date, will, be determined in accordance with (a) above;

Designated Account

The meaning given in Condition 5(d) in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 131 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions, as supplemented by the relevant N Covered Bond Agreement;

Designated Bank

The meaning given in Condition 5(d) in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 131 and/or, in case of an N Covered Bond, the meaning set out in Condition 5.2 (Repayments in Respect of Principal) of the relevant N Covered Bond Conditions, as supplemented by the relevant N Covered Bond Agreement;

Designated Maturity

The meaning given in the ISDA Definitions;

Designated Member

Each Member appointed and registered as such from time to time having those duties and obligations set out in sections 8 and 9 of the LLPA 2000 being, as at the Initial Programme Date, RBS and the Liquidation Member;

Determination Date

The meaning given in the applicable Final Terms;

Determination Period

The meaning given in the section in the Prospectus entitled Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 122 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

Direct Debiting Scheme

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

Direct Participants

The meaning given in "*Book-Entry Clearance Systems*" on page 219;

Directors

The Board of Directors for the time being of the Issuer or

other relevant entity;

Discounted Rate Loans

Loans which allow the Borrower for a set period of time to pay interest at a specified discount to the relevant Seller Standard Variable Rate;

Distribution Compliance Period

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

DTC

The Depository Trust Company or its successors;

DTC Covered Bonds

Covered Bonds accepted into DTC's book-entry settlement system;

DTCC

The meaning given on page 219;

Dual Currency Covered Bond

A Covered Bond in respect of which payments (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree;

Dual Currency Interest Covered Bond

A Covered Bond in respect of which payments of interest are made in such different currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree;

Dual Currency Redemption Covered Bond

A Covered Bond in respect of which payments of principal are made or to be made in such different currencies, and at rates of exchange calculated upon such basis, as the Issuer and the relevant Dealers) may agree (as indicated in the applicable Final Terms);

Due for Payment

The requirement by the LLP to pay any Guaranteed Amounts following the delivery of a Notice to Pay on the LLP, (i) prior to the occurrence of an LLP Event of Default, on:

- (a) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two 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 **Original Due for Payment Date**); and
- (b) in relation to any Guaranteed Amounts in respect

of the Final Redemption Amount payable on the Final Maturity Date for a Series of Covered Bonds only, the Extended Due for Payment Date, but only (i) if in respect of the relevant Series of Covered Bonds the Covered Bond Guarantee is subject to an Extended Due for Payment Date pursuant to the terms of the applicable Final Terms and (ii) to the extent that the LLP having received a Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date does not pay Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date because the LLP has insufficient monies available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of (a) the date which falls two 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)) or (b) the Extension Determination Date, or, if, in either case, such day is not a Business Day, the next following Business Day. For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise save as provided in paragraph (ii) below; or

(ii) following the occurrence of an LLP Event of Default, the date on which an LLP Acceleration Notice is served on the Issuer and the LLP;

Earliest Maturing Covered Bonds

At any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the LLP Accounts) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of an LLP Event of Default);

Early Redemption Amount

The meaning given in the relevant Final Terms;

Eligibility Criteria

The meaning given on page 164;

English Deed of Postponement

A deed or agreement whereby a mortgagee of a Property located in England and Wales agrees with the relevant 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;

English Loans	Loans secured by an English Mortgage;;
English Mortgage	Either (i) a first ranking charge by way of legal mortgage secured over freehold or leasehold Properties located in England or Wales or (ii) in the case of some of the Loans sold to the Issuer by NWHL, a second ranking charge by way of legal mortgage over freehold or leasehold Properties located in England or Wales where NatWest holds a first ranking charge by way of legal mortgage over the relevant Property and has executed an English Deed of Postponement in favour of NWHL;
Equity Linked Covered Bonds	Covered Bonds in respect of which payments will be calculated by reference to the price, value, performance or some other factor relating to one or more Reference Assets, as set out in the applicable Final Terms;
EU	The European Union;
EURIBOR	Euro-zone inter-bank offered rate;
Euroclear	Euroclear Bank S.A/N.V.;
Excess Proceeds	Monies received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration, bank administrator, bank liquidator or other similar official appointed in relation to the Issuer;
Exchange Act	The U.S. Securities Exchange Act of 1934, as amended;
Exchange Agent	Citibank N.A., London Branch in its capacity as exchange agent (which expression shall include any successor exchange agent);
Exchange Date	On or after the date which is 40 days after a Temporary Global Covered Bond is issued;
Exchange Event	In the case of Bearer Covered Bonds, the meaning given in " <i>Form of Covered Bonds</i> " on page 65 and in the case of Registered Covered Bonds, the meaning given in " <i>Form of Covered Bonds</i> " on page 67;
Excluded Swap Termination Amount	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;

Existing Covered Bonds	At any time, the Covered Bonds of all Series then outstanding;
Extended Due for Payment Date	In relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on (or by) the Extension Determination Date in accordance with Condition 6(a) of the Programme Conditions and, in the case of an N Covered Bond, as set out in the relevant N Covered Bond Agreement (if applicable);;
Extension Determination Date	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;
Extraordinary Resolution	A resolution of the Covered Bondholders passed as such under the terms of the Trust Deed;
Final Maturity Date	The Interest Payment Date on which each Series of Covered Bonds will be redeemed at their Principal Amount Outstanding in accordance with the Conditions;
Final Redemption Amount	The meaning given in the relevant Final Terms;
Final Terms	(i) with respect to Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, the final terms document substantially in the form attached as Schedule 3 to the Agency Agreement which will constitute final terms for the purposes of Article 5.4 of the Prospectus Directive and (ii) with respect to any N Covered Bond, means (taken together) the relevant N Covered Bond Conditions applicable to the N Covered Bond and the relevant N Covered Bond Agreement;
First Transfer Date	The date on which the Initial Portfolio is transferred to the LLP pursuant to the Mortgage Sale Agreements or, if earlier, the date on which the Initial Portfolio becomes subject to the CCA Trusts;
Fitch	Fitch Ratings Ltd. and any successor to its rating business;
Fixed Interest Period	The meaning given in Condition 4(a) in the section in the Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 121 of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Fixed Rate Covered Bonds	Covered Bonds paying a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) 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);

Fixed Rate Loans

Loans subject to a fixed interest rate for a specified period of time and which, at the expiration of that period, generally convert to Variable Rate Loans;

Flexible Choice Rate

The NWHL Flexible Choice Rate or the RBS Flexible Choice Rate, as the context requires;

Flexible Loan

A Loan which, *inter alia*, gives the Borrower the option to make Overpayments and, from the credit accumulated on the flexible facility by virtue of such Overpayments, make Underpayments or take Payment Holidays or make a withdrawal under the terms of the Loan, which amount is secured on the same Property as the Initial Advance under such Loan;

Flexible Loan Drawing

An amount withdrawn by a Borrower under the terms of his or her Flexible Loan after the date on which the relevant Loan was transferred to the LLP pursuant to the relevant Mortgage Sale Agreement, which amount is secured on the same Property as the Initial Advance under such Loan;

Floating Rate

The meaning given in the ISDA Definitions;

Floating Rate Convention

The meaning given in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 124 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

Floating Rate Covered Bonds

Covered Bonds which bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms;

Floating Rate Option

The meaning given in the ISDA Definitions;

Following Business Day Convention

The meaning given in the section in the Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 124 and/or, in the case of an N Covered Bond, the meaning set

out in the relevant N Covered Bond Conditions (if applicable);

Framework

"International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version)" published by the Basel Committee on Banking Supervision;

FSA

Financial Services Authority;

FSMA

Financial Services and Markets Act 2000, as amended from time to time;

Further Advance

In relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, excluding the amount of any retention in respect of the Initial Advance, and does not include a Flexible Loan Drawing;

Global Covered Bond

A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;

Guaranteed Amounts

Prior to the service of an LLP Acceleration Notice, with respect to any Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, the sum of Scheduled Interest and Scheduled Principal, in each case, payable on that Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, or after service of an LLP Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Conditions plus all accrued and unpaid interest and 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;

Guarantee Priority of Payments

The meaning given in "*Cashflows*" on page 137;

Halifax Index

The index of increases or decreases in house prices issued by Halifax, a division of Bank of Scotland plc in relation to residential properties in the United Kingdom;

Halifax Price Indexed Valuation

In relation to any Property at any date means the Latest Valuation of that property increased or decreased as appropriate by the increase or decrease in the Halifax Index since the date of that Latest Valuation;

Hard Bullet Covered Bond

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;

Higher Lending Charge	Any fee incurred by a Borrower in respect of its mortgage account where the aggregate of the True Balance of the relevant Loan(s) at origination (excluding any capitalised Higher Lending Charge or booking fees and/or valuation fees) exceeds certain specified percentages;
HMRC	HM Revenue & Customs;
Holdings	RBS Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 7033644);
Household Contingency Policy	For loan amounts of a principal amount of up to £1,500,000, a block policy held by the relevant Seller which covers the value of the Loan rather than the Property;
IAI Investment Letter	The meaning given in Condition 2(e) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 119;
Index Linked Covered Bonds	Index Linked Redemption Covered Bonds and Index Linked Interest Covered Bonds;
Index Linked Interest Covered Bond	A Covered Bond in respect of which payments of interest will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms);
Index Linked Redemption Covered Bond	A Covered Bond in respect of which payments of principal will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms);
Indexed Valuation	At any date in relation to any Loan secured over any Property: <ul style="list-style-type: none"> (a) where the Latest Valuation of that Property is equal to or greater than the Halifax Price Indexed Valuation as at that date, the Halifax Price Indexed Valuation; or (b) where the Latest Valuation of that Property is less than the Halifax Price Indexed Valuation as at that date, the Latest Valuation plus 85 per cent. of the difference between the Latest Valuation and the Halifax Price Indexed Valuation;
Indirect Participants	The meaning given in the section in the Prospectus entitled " <i>Book-Entry Clearance Systems</i> " on page 219;

Initial Advance	In relation to a Loan, the original principal amount together with the amount of any retention advanced to the relevant Borrower after completion of the Mortgage, and it may include any Higher Lending Charge or other fees (if capitalised);
Initial Portfolio	The meaning given in the section of this Prospectus entitled " <i>The Portfolio</i> " on page 216;
Initial Programme Date	1 April 2010;
Insolvency Act	Insolvency Act 1986, as amended;
Insolvency Event	In respect of either Seller, the Servicer or the Cash Manager: <ul style="list-style-type: none"> (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, bank liquidator, bank administrator or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or (d) the relevant entity is unable to pay its debts as they fall due.
Instalment Covered Bonds	Covered Bonds which will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms;
Insurance Policies	The Buildings Insurance Policies and the Household Contingency Policy, and Insurance Policy shall be construed accordingly;
Institutional Accredited Investor	An institution that is an accredited investor (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act);
Intercompany Loan Agreement	The term loan agreement dated the Initial Programme Date between the Issuer, the LLP and the Security Trustee;

Interest Amount	The amount of interest payable on the Floating Rate Covered Bonds or Index Linked Interest Covered Bonds in respect of each Specified Denomination for the relevant Interest Period;
Interest Commencement Date	The meaning given on page 121;
Interest Payment Date	In relation to any Series of Covered Bonds, the Specified Interest Payment Date or the meaning given in the applicable Final Terms (as the case may be);
Interest Period	The period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;
Interest Rate Swap	Each of the interest rate swap transactions entered into between the LLP and RBS (in its capacity as Interest Rate Swap Provider) and governed by the Interest Rate Swap Agreement;
Interest Rate Swap Agreement	The agreement between the LLP, the Interest Rate Swap Provider and the Security Trustee dated as of the Initial Programme Date (and as may be amended, amended and restated and/or supplemented from time to time) governing the Interest Rate Swaps in the form of an ISDA Master Agreement, including a schedule, credit support annex and a confirmation in relation to each Interest Rate Swap entered into thereunder;
Interest Rate Swap Early Termination Event	The meaning given in the section in the Prospectus entitled " <i>Summary of the Principal Documents</i> " on page 190;
Interest Rate Swap Provider	RBS, in its capacity as interest rate swap provider under the Interest Rate Swap Agreement or any successor interest rate swap provider;
Investor Report	The quarterly 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;
ISDA	International Swaps and Derivatives Association, Inc.;
ISDA Definitions	2006 ISDA Definitions, as published by ISDA;
ISDA Master Agreement	The 1992 ISDA Master Agreement (Multicurrency - Cross Border), as published by ISDA;
ISDA Rate	The meaning given in the section in the Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 125 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

Issue Date	Each date on which the Issuer issues Covered Bonds to the Covered Bondholders under the Programme, as specified in the applicable Final Terms;
Issuer	The Royal Bank of Scotland plc, incorporated under the laws of Scotland, whose registered office is 36 St. Andrew Square, Edinburgh EH2 2YB;
Issuer Acceleration Notice	The meaning given in the section of this Prospectus entitled Condition 9(a) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 143;
Issuer Event of Default	The meaning given in the section of this Prospectus entitled Condition 9(a) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 143;
Latest Valuation	In relation to any Property, the value given to that Property by the most recent valuation addressed to the Seller;
Ledger	Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Coupon Payment Ledger, the Swap Collateral Ledger, the Intercompany Loan Ledger, the Pre-Maturity Liquidity Ledger, the Capital Account Ledgers and the Payment Ledger and each other ledger required to be opened on an LLP Account from time to time;
Legended Covered Bonds	The meaning given in the section in the Prospectus entitled Condition 2 in " <i>Terms and Conditions of the Covered Bonds</i> " on page 120;
Lending Criteria	The lending criteria of a Seller from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender;
LIBOR	London inter-bank offered rate;
Liquidation Member	RBS Covered Bonds (LM) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 7053120);
LLP	RBS Covered Bonds Limited Liability Partnership, a limited liability partnership incorporated in England and Wales (partnership no. OC349504), whose first members are RBS, NWHL and the Liquidation Member;
LLPA 2000	Limited Liability Partnerships Act 2000;
LLP Acceleration Notice	A notice in writing given by the Bond Trustee to the Issuer and the LLP, that each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default) and as against the LLP, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued

interest as provided in and in accordance with the Trust Deed and thereafter the Security shall become enforceable if any of the LLP Events of Default shall occur and be continuing;

LLP Accounts

Each of the Deposit Account, the Transaction Account and any additional or replacement accounts opened in the name of the LLP from time to time, including each Swap Collateral Account;

LLP Deed

The limited liability partnership deed entered into on the Initial Programme Date between the LLP, RBS in its capacity as a Seller, NWHL in its capacity as a Seller, the Liquidation Member, the Bond Trustee and the Security Trustee;

LLP Event of Default

The meaning given in Condition 9(b) in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 144;

LLP Management Committee

The management committee comprised of 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 Payment Date

The 22nd day of each calendar month or if not a London Business Day the next following London Business Day. The first LLP Payment Date will be on the 22nd day of the month immediately following the First Transfer Date;

LLP Payment Period

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 shall mean the period from (and including) the Initial Programme Date to (but excluding) the first LLP Payment Date;

LLP Variable Rate

The LLP variable rate applicable to the Loans in the Portfolio, as set, other than in limited circumstances, by the Servicers in accordance with the Servicing Agreement;

Loan

Any mortgage loan which is, or is to be, sold, assigned and transferred by the Sellers to the LLP from time to time under the terms of the Mortgage Sale Agreements (or, prior to the Effective Date, held upon the CCA Trusts) (including, without limitation, all Flexible Loan Drawings, Product Switches and Additional Loan Advances from time to time transferred to the LLP in respect thereof) and referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest,

costs, charges, expenses and other monies due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage over Property located in England or Wales or Scotland from time to time outstanding, or, as the context may require, the Borrower's obligations in respect of the same but excludes any mortgage loan which is repurchased by the Sellers or otherwise sold by the LLP and no longer beneficially owned by it;

Loan Account

As the context requires, either (a) all Loans secured on the same Property or (b) an account maintained by a Servicer in respect of a particular Loan (whether by way of principal, interest or otherwise) and all amounts received in respect thereof;

Loan Files

The file or files relating to each Loan (including files kept in microfiche format or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing *inter alia* correspondence between the Borrower and a Seller and including the mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to the extent available, the solicitor's or licensed conveyancer's, or (in Scotland) qualified conveyancer's, Certificate of Title;

Loan Interest Payment Date

In respect of any Term Advance, each Interest Payment Date in respect of the corresponding Series or Tranche of Covered Bonds that funded such Term Advance;

London Business Day

A day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London;

London Stock Exchange

London Stock Exchange plc's regulated market;

Long Maturity Covered Bond

A Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond;

Losses

All realised losses on the Loans;

Margin

As specified in the applicable Final Terms;

Master Definitions and Construction Agreement

The master definitions and construction agreement made between the parties to the Transaction Documents on or about the Initial Programme Date as amended, supplemented varied and/or restated from time to time;

MCOB	Mortgages and Home Finance: Conduct of Business Sourcebook, implemented by the FSA on 31 October 2004 as amended, revised or supplemented from time to time;
Member	From time to time, each member of the LLP;
MH/CP Documentation	An affidavit, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or the Property secured thereby;
Modified Following Convention	Business Day The meaning given in Condition 4 in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 124;
Monthly Payment	The amount which the relevant Mortgage Conditions require a Borrower to pay on each Monthly Payment Date in respect of that Borrower's Loan;
Monthly Payment Date	In relation to a Loan, the date in each month on which the relevant Borrower is required to make a Monthly Payment;
Moody's	Moody's Investors Service Limited;
Mortgage	In respect of any Loan each fixed charge by way of legal mortgage (in relation to an English Loan) and each first ranking standard security (in relation to a Scottish Loan) which is, or is to be, sold by the relevant Seller to the LLP pursuant to the relevant Mortgage Sale Agreement (or prior to the LLP delivering notice to the Seller in accordance with the Mortgage Sale Agreements, held upon the CCA Trusts), which secures the repayment of the relevant Loan, including the Mortgage Conditions applicable to it;
Mortgage Conditions	All the terms and conditions applicable to a Loan, including without limitation those set out in a Seller's relevant mortgage conditions booklet and the Seller's relevant general conditions, each as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;
Mortgage Deed	In respect of any Mortgage, the deed creating that Mortgage;
Mortgage Sale Agreements	Each of the RBS Mortgage Sale Agreement and the NWHL Mortgage Sale Agreement and Mortgage Sale Agreement means either one of them, as the context so permits;
N Covered Bond	A Registered Covered Bond in definitive form made out in the name of a specified N Covered Bondholder issued or to be issued by the Issuer in accordance with the

provisions of the Agency Agreement and in accordance with and constituted by the Trust Deed, in the form of a German "*Namenschuldverschreibung*" substantially in the form set out in Schedule 6 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the LLP, the Bond Trustee and the relevant N Covered Bondholder and having the N Covered Bond Conditions applicable to it annexed thereto and subject to the provisions of the N Covered Bond Agreement relating thereto;

N Covered Bond Agreement

In respect of any Series of N Covered Bonds, an agreement between the Issuer, the LLP and the relevant N Covered Bondholder substantially in the form set out in Schedule 6 to the Trust Deed;

N Covered Bond Assignment Agreement

The assignment agreement attached to each N Covered Bond, substantially in the form set out at Schedule 6 to the Trust Deed;

N Covered Bond Certificate

The N covered bond certificate set out in Schedule 6 to the Trust Deed;

N Covered Bond Conditions

The terms and conditions of each N Covered Bond annexed thereto;

N(M)

A further stage of the FSMA which came into effect on 31 October 2004;

NatWest Base Rate

The base rate set from time to time by National Westminster Bank plc;

Negative Carry Factor

The meaning given on page 182;

New Loans

Loans, other than the Loans comprised in the Initial Portfolio, which a Seller may assign or transfer to the LLP after the First Transfer Date pursuant to the relevant Mortgage Sale Agreement;

New Loan Type

A new type of mortgage loan originated or acquired by a Seller, which the relevant Seller intends to transfer to the LLP, the terms and conditions of which are materially different (in the opinion of the relevant Seller, acting reasonably) from the Loans comprised in the Initial Portfolio. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans comprised in the Initial Portfolio due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, capped rate, tracker rate or any other interest rate or the benefit of any discounts, cash-backs and/or rate guarantees;

New Member

Any new member who shall be admitted to the LLP after the Initial Programme Date pursuant to the LLP Deed;

New Portfolio	The meaning given in " <i>The Portfolio</i> " on page 216;
New Portfolio Notice	A notice in the form set out in the Mortgage Sale Agreements subject to any amendment as may be agreed between the parties thereto served in accordance with the terms of the Mortgage Sale Agreements;
New Seller	Any member of the RBS Group (other than RBS and NWHL) that is a connected person as defined in Regulation 5 of the RCB Regulations and that accedes to the relevant Transaction Documents and sells Loans and their Related Security to the LLP in the future;
NGCB	The meaning given on page 65;
NIPs	The Non-Investment Products Code;
Notice to Pay	The meaning given in Condition 9(a) in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 143;
NWHL	National Westminster Home Loans Limited (registered number 1449354) a limited company incorporated in England and Wales, whose registered office is at 135 Bishopsgate, London, EC2M 3TP;
NWHL Buy-to-Let Variable Rate	The National Westminster Home Loans Limited Buy-to-Let Variable Rate, being the variable rate of interest set by NWHL in respect of Buy-to-Let Loans by reference to the general level of interest rates and competitor rates in the UK mortgage market;
NWHL Deferred Consideration	$X - (A \times B / C) - D$ <p>Where:</p> <p>X = all interest received on NWHL Loans during the immediately preceding Calculation Period; and</p> <p>A = the amount paid in respect of items (a) to (l) of the Pre-Acceleration Revenue Priority of Payments;</p> <p>B = the True Balance of all NWHL Loans in the Portfolio as at the end of the immediately preceding Calculation Period</p> <p>C = the True Balance of all Loans in the Portfolio as at the end of the immediately preceding Calculation Period</p> <p>D = the aggregate of the profit payable to the Members under item (o) of the Pre-Acceleration Revenue Priority of Payments and the fee payable</p>

to the Liquidation Member under item (n) of the Pre-Acceleration Revenue Priority of Payments;

NWHL Loans	Any Loan which is sold and assigned by NWHL to the LLP from time to time under the terms of the NWHL Mortgage Sale Agreement but excluding any mortgage loan which is repurchased by a Seller or otherwise sold by the LLP and no longer beneficially owned by it;
NWHL Flexible Choice Rate	The National Westminster Home Loans Limited Flexible Choice Rate, being the rate of interest so named set by NWHL by reference to the general level of interest rates and competitor rates in the UK mortgage market;
NWHL Mortgage Sale Agreement	The mortgage sale agreement entered into on the Initial Programme Date (as amended, amended and restated and/or supplemented from time to time) between NWHL as a Seller, RBS as a purchaser, the LLP and the Security Trustee;
NWHL Standard Variable Rate	National Westminster Home Loans Limited Standard Variable Rate, being one of two rates of interest so named and set by NWHL by reference to the general level of interest rates and competitor rates in the UK mortgage market;
Official List	Official list of the UK Listing Authority;
Off-Set Loan	A Loan under which the Borrower is contractually entitled to use funds held in their linked current account or deposit accounts to reduce the interest payable on the Loan, instead of receiving interest on those funds;
OFT	Office of Fair Trading;
Ombudsman	Financial Ombudsman Service under the FSMA;
Order	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended;
Original Due for Payment Date	Has the meaning given in paragraph (i)(a) of the definition of Due for Payment ;
Overpayment	A payment by a Borrower in an amount greater than the Monthly Payment then due on the relevant Loan;
Partial Portfolio	Part of any portfolio of Selected Loans;
Partly Paid Covered Bonds	Covered Bonds which are only partly paid up on issue, in respect of which interest will accrue in accordance with Condition 4.4 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions on the paid-up amount of such Covered Bonds or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable

	Final Terms;
Paying Agents	The meaning given in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 114;
Payment Day	The meaning given in Condition 5 in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 133 and/or, in the case of an N Covered Bond, the meaning set out under Conditions 5 (Payment Day) of the relevant N Covered Bond Conditions;;
Payment Holiday	A period during which a Borrower suspends payments under a Loan where the Borrower is permitted under the relevant Mortgage Conditions to do so and will not therefore be in breach of the relevant Mortgage Conditions;
Payment Holiday Loan	A Loan under which a Borrower is permitted to take a Payment Holiday;
Permanent Global Covered Bond	The meaning given in the section of this Prospectus entitled " <i>Form of the Covered Bonds</i> " on page 65;
Portfolio	The Initial Portfolio and each New Portfolio acquired by the LLP;
Post-Enforcement Priority of Payments	The meaning given in the section of this Prospectus entitled " <i>Cashflows</i> " on page 213;
Potential Issuer Event of Default	The meaning given in Condition 14 in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 153;
Potential LLP Event of Default	The meaning given in Condition 14 in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 153;
Pre-Acceleration Principal Priority of Payments	The meaning given in the section of this Prospectus entitled " <i>Cashflows</i> " on page 206;
Pre-Acceleration Revenue Priority of Payments	The meaning given in the section of this Prospectus entitled " <i>Cashflows</i> " on page 202;
Preceding Business Day Convention	The meaning given in Condition 4(b) in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 124 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);
Pre-Maturity Liquidity Ledger	The ledger on the Deposit Account maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of moneys available to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof if the Pre-Maturity Test has been

breached;

Pre-Maturity Test	The meaning given in the section of this Prospectus entitled " <i>Cashflows</i> " on page 198;
Pre-Maturity Test Date	The meaning given in the section of this Prospectus entitled " <i>Cashflows</i> " on page 198;
Principal Amount Outstanding	In respect of a Covered Bond the principal amount of that Covered Bond on the relevant Issue Date thereof, less principal amounts received by the relevant Covered Bondholder in respect thereof;
Principal Ledger	The ledger on the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Principal Receipts in accordance with the terms of the LLP Deed;
Principal Paying Agent	The meaning given in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 114;
Principal Receipts	<ul style="list-style-type: none">(a) principal repayments under the Loans (including payments of arrears, Capitalised Interest and Capitalised Expenses);(b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property);(c) any payment pursuant to any Insurance Policy in respect of a Property in connection with a Loan in the Portfolio;(d) the proceeds of the repurchase of any Loan by the relevant 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(e) any deemed Principal Receipts;
Priorities of Payments	Together, the Pre-Acceleration Revenue Priority of Payments, the Pre-Acceleration Principal Priority of Payments, the Guarantee Priority of Payments and the Post-Enforcement Priority of Payments and Priority of Payment means any one of them;
Product Switch	A variation to the financial terms or conditions included in the Mortgage Conditions applicable to a Loan other than: <ul style="list-style-type: none">(a) any variation agreed with a Borrower to control or manage arrears on a Loan;

- (b) any variation in the maturity date of a Loan;
- (c) any variation imposed by statute or any variation in the frequency with which the interest payable in respect of the Loan is charged;
- (d) any variation to the interest rate as a result of the Borrowers switching to a different rate by operation of the Loan;
- (e) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan;
- (f) any change in the repayment or payment method of the Loan;

Programme	The Covered Bond programme established by, or otherwise contemplated in, the Programme Agreement and the Trust Deed;
Programme Agreement	The meaning given in the section of this Prospectus entitled " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " on page 225;
Programme Conditions	The conditions for the Programme as set out in Schedule 1 of the Trust Deed;
Programme Resolution	Any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 or to direct the Bond Trustee to take, or to direct the Security Trustee to take any such enforcement action as is referred to in 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;
Property	A freehold, leasehold or commonhold property (or in Scotland a heritable property or a property held under a long lease) which is subject to a Mortgage;
Prospectus Directive	The meaning given on page 69;
Purchaser	Any third party or the relevant Seller to whom the LLP offers to sell Selected Loans;
QIB	A qualified institutional buyer within the meaning of Rule 144A;
Rating Agencies	Moody's and Fitch, and each a Rating Agency ;
Rating Agency Confirmation	A confirmation (or, in the case of Moody's, affirmation) in writing by Fitch and/or Moody's (as applicable) that the

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

Rating Condition

The condition that will be satisfied in respect of an event or matter if:

- (a) Fitch has been notified of such event or matter; and
- (b) the LLP, the Issuer, the Bond Trustee and/or the Security Trustee (as applicable), has received a Rating Agency Confirmation from Moody's in respect of such event or matter

RBS

The Royal Bank of Scotland plc, incorporated with limited liability under the laws of Scotland, whose registered office is 36 St. Andrew Square, Edinburgh EH2 2YB;

RBS 100% Standard Variable Rate

The standard variable rate so named for Variable Rate Loans originated by RBS with initial loan-to-value ratios above 95 per cent. which is higher than the RBS Standard Variable Rate;

RBS 100% Variable Rate Loans

Loans which accrue interest pursuant to the relevant Mortgage Conditions at the RBS 100% Standard Variable Rate;

RBS Deferred Consideration

All remaining Available Revenue Receipts after payment of items (a) to (l) of the Pre-Acceleration Revenue Priority of Payments, less the aggregate of NWHL Deferred Consideration and the profit payable to the Members under item (o) of the Pre-Acceleration Revenue Priority of Payments and an amount equal to the fee payable to the Liquidation Member in accordance with item (n) of the Pre-Acceleration Revenue Priority of Payments);

RBS Flexible Choice Rate	The rate so named and applicable to certain Loans, being set by RBS by reference to the general level of interest rates and competitor rates in the UK mortgage market;
RBS Group	The Royal Bank of Scotland Group plc and its Subsidiaries collectively;
RBS Loans	Any Loan which is sold and assigned by RBS to the LLP from time to time under the terms of the RBS Mortgage Sale Agreement but excluding any such Loan which is repurchased by RBS or otherwise sold by the LLP and no longer beneficially owned by it;
RBS Mortgage Sale Agreement	The mortgage sale agreement entered into on the Initial Programme Date (as amended, amended and restated and/or supplemented from time to time) between RBS, the LLP and the Security Trustee;
RBS Registration Document	The registration document of RBS dated 10 March 2010 and filed with the FSA;
RBS Standard Variable Rate	The Royal Bank of Scotland plc Standard Variable Rate, the rate so named being set by RBS by reference to the general level of interest rates and competitor rates in the UK mortgage market;
RBSG	The Royal Bank of Scotland Group plc (registered number SC45551), a public limited company incorporated under the laws of Scotland, whose registered office is at 36 St Andrew Square, Edinburgh EH2 2YB;
RBSG Staff Loans	Loans which are made to full time permanent staff of RBSG and identified as such on the GMS system;
RCB Regulations	The Regulated Covered Bonds Regulations 2008 (SI 2008/346), as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (SI 2008/1714) and as further amended from time to time;
RCB Sourcebook	The Regulated Covered Bond Specialist Sourcebook published by the FSA on 6 March 2008, as amended, revised or supplemented from time to time;
Reasonable Prudent Lender or Reasonable, Prudent Mortgage Lender	The Sellers and/or the Servicers, as applicable, acting in accordance with the standards of a reasonably prudent residential mortgage lender lending to borrowers in England, Wales and/or Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital;
Receiptholders	The holders of the Receipts;

Receipts	The meaning given in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 115;
Record Date	The meaning given in Condition 5(d) in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 131 and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions;
Redeemed Covered Bonds	The meaning given in Condition 6(c) in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 138;
Reference Assets	In respect of Equity Linked Covered Bonds, shares or other securities, as indicated in the applicable Final Terms;
Reference Entities	In respect of Credit Linked Covered Bonds entities as indicated in the applicable Final Terms;
Register	The register of holders of the Registered Covered Bonds maintained by the Registrar;
Registers of Scotland	The Land Register of Scotland and/or the General Register of Sasines;
Registered Covered Bonds	Covered Bonds in registered form;
Registered Definitive Covered Bond	(i) Each N Covered Bonds and (ii) each other Registered Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed either on issue or in exchange for a Registered Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Registered Covered Bond in definitive form being in the form or substantially in the form set out in Part 8 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference (where applicable to the Trust Deed) as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and having a Form of Transfer endorsed thereon;
Registered Global Covered Bonds	The Rule 144A Global Covered Bonds together with the Regulation S Global Covered Bonds;

Registrar	Citibank, N.A., London Branch in its capacity as registrar (and any additional or successor registrar);
regulated mortgage contract	The meaning given in " <i>Regulatory changes by the Office of Fair Trading, the Financial Services Authority and any other regulatory authorities</i> " on page 55;
Regulation S	Regulation S under the Securities Act;
Regulation S Covered Bonds	The meaning given in the section of this Prospectus entitled " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " on page 228;
Regulation S Global Covered Bond	The meaning given in the section of this Prospectus entitled " <i>Form of Covered Bonds</i> " on page 66;
Related Security	<p>In relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio which is, or is to be sold to (or held on trust for) the LLP pursuant to the Mortgage Sale Agreements including (without limitation):</p> <ul style="list-style-type: none"> (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; (b) each right of action of the relevant Seller against any person (including, without limitation, any valuer, licensed conveyancer, solicitor and any registrar or registry) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the relevant Seller to make or offer to make all or part of the relevant Loan; and (c) the benefit of (including, without limitation, the rights as the insured person under and 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 Loan, Mortgage and/or Property and Loan Files;
Re-Mortgage	A Loan granted and secured over a Property as a replacement to an existing mortgage loan advanced to the Borrower by another lender and secured over the same

	Property;
Relevant Date	The meaning given in Condition 7 in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 142 and/or, in the case of an N Covered Bond, the meaning set out in Condition 6.1 of the relevant N Covered Bond Conditions;
Representations and Warranties	The representations and warranties set out in Schedule 1 (<i>Representations and Warranties</i>) of the Mortgage Sale Agreements, which are made by the relevant Seller;
Repurchase Notice	A notice from the Cash Manager to a Seller identifying a Loan or its Related Security in the Portfolio which does not, as at the relevant Transfer Date or relevant Calculation Date (in the case of an Additional Loan Advance), materially comply with the Representations and Warranties set out in the Mortgage Sale Agreements;
Requesting Party	The meaning given in Condition 14 in the section of this Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 152;
Required Coupon Amount	The meaning given in the section of this prospectus entitled " <i>The LLP Deed</i> " on page 179;
Required Coupon Amount Shortfall	The meaning given in the section of this prospectus entitled " <i>The LLP Deed</i> " on page 179 ;
Required Redemption Amount	The meaning given in the section of this Prospectus entitled " <i>Summary of the Principal Documents</i> " on page 171;
Required True Balance Amount	The meaning given in the section of this Prospectus entitled " <i>Summary of the Principal Documents</i> " on page 185;
Reserve Fund	The reserve fund that the LLP will be required to establish in the Deposit Account which will be credited with part of a Term Advance (in the LLP's discretion) and the proceeds of Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount;
Reserve Fund Required Amount	If the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch and P-1 by Moody's, nil or such other amount as RBS shall direct the LLP from time to time and otherwise, 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 (c) of the Pre-Acceleration Revenue Priority of Payments plus £600,000;
Reserve Ledger	The ledger on the Deposit Account of such name

maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts and (where applicable) proceeds of Term Advances to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the LLP Deed;

Reset Date

The meaning given in the ISDA Definitions;

Revenue Ledger

The ledger on the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record credits and debits of Revenue Receipts in accordance with the terms of the LLP Deed;

Revenue Receipts

- (a) payments of interest (excluding Accrued Interest and Arrears of Interest as at the relevant Transfer Date of a Loan) and other fees due from time to time under the Loans and other amounts received by the LLP in respect of the Loans other than the Principal Receipts;
- (b) recoveries of interest from defaulting Borrowers under Loans being enforced;
- (c) recoveries of interest from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed; and
- (c) any deemed Revenue Receipts;

Rule 144A

Rule 144A under the Securities Act;

Rule 144A Global Covered Bond

A Global Covered Bond in registered form representing the Registered Covered Bonds of a Tranche sold to QIBs pursuant to Rule 144A;

Rules

The rules, regulations and procedures creating and affecting DTC and its operations;

Sale Proceeds

The cash proceeds realised from the sale of Selected Loans and their Related Security;

Sarbanes-Oxley Act

The U.S. Sarbanes-Oxley Act of 2002;

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 of the Conditions and Condition 3 (Interest) of the N Covered Bond Conditions (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), less any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 (Taxation) of the Conditions or Condition 6 (Taxation) of the N Covered Bond Conditions;

Scheduled Payment Date

In relation to payments under the Covered Bond Guarantee, each Interest Payment Date or the Final Maturity Date as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date 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), Condition 6(c) and Condition 6(d) of the Conditions, and Condition 4 (Redemption) of the N Covered Bond Conditions (excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest (**Excluded Scheduled Principal Amounts**) payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and, if the Final Terms specifies that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date;

Scottish Declaration of Trust

Each declaration of trust in relation to the relevant Scottish Loans and their Related Security made pursuant to the relevant Mortgage Sale Agreement by means of which the sale of such Scottish Loans and their Related Security by the relevant Seller to the Issuer and the transfer of the beneficial interest therein to the Issuer are given effect;

Scottish Deed of Postponement

A deed or agreement whereby the heritable creditor in relation to a Property located in Scotland agrees with the relevant 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;

Scottish Loans

Loans secured by Scottish Mortgages;

Scottish Mortgage	Either (i) a first priority standard security over a heritable Property or Property held under a long lease located in Scotland; or (ii) in the case of certain Loans sold to the Issuer by NWHL, a second priority standard security over heritable Property or Properties held under a long lease located in Scotland where NatWest holds a first priority standard security over the relevant Property and has executed a Scottish Deed of Postponement in favour of NWHL;
Scottish Sub-Security	Each standard security granted by the LLP in favour of the Security Trustee pursuant to Clause 3.5 of the Deed of Charge;
Scottish Supplemental Charge	Each supplemental assignment in security granted by the LLP in favour of the Security Trustee pursuant to Clause 3.6 (<i>Scottish Trust Security</i>) of the Deed of Charge;
SEC	U.S. Securities and Exchange Commission;
Secured Creditors	The Security Trustee (in its own capacity and on behalf of the other Secured Creditors), any Receiver or other appointee of the Security Trustee, the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders) any appointee of the Bond Trustee, the Covered Bondholders, the Receiptholders, the Couponholders, the Issuer, each Seller, the Servicers, the Account Bank, the Cash Manager, the Swap Providers, the Corporate Services Provider, the Agents and any other person which becomes a Secured Creditor pursuant to the Deed of Charge;
Secured Obligations	Any and all monies, obligations and liabilities and all other amounts 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 the same;
Securities Act	U.S. Securities Act of 1933, as amended;
Securities and Exchange Law	The Securities and Exchange Law of Japan;
Security	The meaning given in the section of this Prospectus entitled " <i>Summary of the Principal Documents</i> " on page 194;
Security Trustee	Citicorp Trustee Company 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;
Selected Loans Offer Notice	A notice substantially in the form set out in Schedule 9 to

the relevant Mortgage Sale Agreement from the LLP served on the Seller offering to sell Selected Loans and their Related Security for an offer price equal to the greater of the then True Balance of the Selected Loans and the Adjusted Required Redemption Amount;

Selected Loan Repurchase Notice

A notice substantially in the form set out in Schedule 10 to the relevant Mortgage Sale Agreement from the Seller served on the LLP accepting an offer set out in a Selected Loan Offer Notice;

Selected Loans

Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed having in aggregate the Required True Balance Amount;

Selection Date

The meaning given in Condition 6 in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 138;

Seller

RBS, NWHL and any New Seller as the context so requires, and **Sellers** means all of them together;

Seller Arranged Policy

Any Buildings Insurance Policy arranged by the Sellers for the purposes of a Borrower insuring the Property for an amount equal to the full rebuilding cost of the Property;

Seller Standard Variable Rate

Either the RBS Standard Variable Rate or the NWHL Standard Variable Rate, as applicable and **Seller Standard Variable Rates** shall be construed accordingly;

Series

(i) with respect to N Covered Bonds, each N Covered Bond made out in the name of a specific Covered Bondholder; and (ii) in any other case a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;

Series Reserved Matter

In relation to Covered Bonds of a Series:

- (a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;
- (b) alteration of the currency in which payments under the Covered Bonds, Receipts and Coupons are to be made;
- (c) alteration of the quorum or majority required to

pass an Extraordinary Resolution;

- (d) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests of the holders of Covered Bonds of any Series);
- (e) except in accordance with Condition 6(j) or Condition 14, the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the holders of Covered Bonds to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and
- (f) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed or this definition;

Servicers

RBS in its capacity as servicer under the Servicing Agreement in respect of the RBS Loans and NWHL in its capacity as Servicer under the Servicing Agreement in respect of the NWHL Loans, together with any successor servicer appointed from time to time and each a Servicer, as the context so permits;

Servicer Event of Default

The meaning given in the section of this Prospectus entitled "*Summary of the Principal Documents*" on page 176;

Servicer Termination Event

The meaning given in the section of this Prospectus entitled "*Summary of the Principal Documents*" on page 176;

Servicing Agreement

The servicing agreement entered into on the Initial Programme Date (and as amended, amended and restated and/or supplemented from time to time) between the LLP, the Servicers and the Security Trustee;

Share Trustee

SFM Corporate Services Limited having its registered

office at 35 Great St. Helen's London EC3A 6AD;

Specified Currency	Subject to any applicable legal or regulatory restrictions, euro, Sterling, U.S. Dollars and such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee and specified in the applicable Final Terms;
Specified Denomination	In respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds specified in the applicable Final Terms;
Specified Interest Payment Date	If applicable, as specified in the applicable Final Terms;
Specified Period	If applicable, as specified in the applicable Final Terms;
Standard Documentation	The standard documentation, annexed to the relevant exhibit of the relevant Mortgage Sale Agreement or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender;
Sterling Equivalent	In relation to a Term Advance or a Series of Covered Bond which is denominated in (i) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating thereto and (ii) Sterling, the applicable amount in Sterling;
Subsidiary	Any company which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006 of Great Britain);
Substitution Assets	Each of: <ul style="list-style-type: none">(a) Sterling gilt-edged securities;(b) Sterling demand or time deposits, certificates of deposit, long-term debt obligations and short-term debt obligations (including commercial paper) provided that in all cases such investments have a remaining period to maturity of one year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated P-1/Aa3 by Moody's and AA-/F1+ by Fitch or their equivalents by two other internationally recognized rating agencies;(c) Sterling denominated government and public securities, as defined from time to time by the

FSA, provided that such investments have a remaining period to maturity of one year or less and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by two other internationally recognised rating agencies; and

- (d) Sterling denominated residential mortgage backed securities provided that such investments have a remaining period to maturity of one year or less, are actively traded in a continuous, liquid market on a recognised stock exchange, are held widely across the financial system, are available in an adequate supply and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by two other internationally recognised rating agencies,

provided in each case that such Substitution Assets comply with the requirements of Regulation 2(1)(a) of the RCB Regulations;

Sub-unit

With respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, euro 0.01;

Successor in Business

The meaning given in Condition 14 of the "*Terms and Conditions of the Covered Bonds*" on page 153;

Swap Agreements

The Covered Bond Swap Agreements together with the Interest Swap Agreement, and each a **Swap Agreement**;

Swap Collateral

At any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by a Swap Provider to the LLP as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed;

Swap Collateral Account

Any account in the name of the LLP held with the 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;

Swap Collateral Ledger

The ledger (including any sub-ledgers) maintained by the Cash Manager pursuant to the Cash Management Agreement on any Swap Collateral Account, to record the crediting of any Swap Collateral and any debiting of the same;

Swap Collateral Excluded Amounts

At any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap

Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the LLP, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the relevant Swap Agreements and ultimately upon termination of the relevant Swaps;

Swap Provider Default

The occurrence of an Event of Default or Termination Event (each as defined in each relevant Swap Agreements) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in relevant Swap Agreement), as applicable, other than a Swap Provider Downgrade Event;

Swap Provider Downgrade Event

The occurrence of an Additional Termination Event or an Event of Default (each as defined in the relevant Swap Agreement) following a failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Swap Agreement;

Swap Providers

Each Covered Bond Swap Provider and the Interest Rate Swap Provider, and each a **Swap Provider**;

Swaps

The Covered Bond Swaps together with the Interest Rate Swaps, and each a **Swap**;

Swap Provider Tax Payments

Payments received in certain circumstances by the LLP from the Swap Provider on a Member's behalf (pursuant to section 2(d)(ii) of the relevant Swap Agreement);

Talons

The meaning given in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 116;

TARGET2 System

Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereof;

Tax Credit

The meaning given to it in the relevant Swap Agreement

Temporary Global Covered Bond

The meaning given in the section of this Prospectus entitled "*Form of Covered Bonds*" on page 65;

Term Advance

Each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement;

Third Party Amounts

Each of:

- (a) payments of insurance premiums, if any, due to a Seller in respect of any Seller Arranged Policy to the extent not paid or payable by the Seller (or to the extent such insurance premiums have been paid by the Seller in respect of any Further Advance which is not purchased by that Seller to

reimburse that Seller);

- (b) amounts under an unpaid direct debit which are repaid by a Seller to the bank making such payment if such bank is unable to recoup that amount itself from its customer's account;
- (c) amounts paid to the relevant Seller by way of a cheque which the Seller is unable to recoup from the bank of the payee, or which cheque is dishonoured for any reason whatsoever;
- (d) payments by the Borrower of any fees and other charges which are due to the Seller;
- (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 a Seller or the LLP;
- (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);
- (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 Loan) any amount payable to a Borrower under the terms of the Mortgage or the Loan to which that Borrower is a party (other than a Further Advance);
- (h) any amounts owed to a Seller pursuant to Clause 6 (*Trust of Monies*) of the Mortgage Sale Agreements;
- (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 Sellers or the LLP; which amounts may be paid daily from monies on deposit in the LLP Accounts; and

(j) any amounts representing overpayments made on behalf of a Borrower by the Department of Work and Pensions which the Department of Work and Pensions subsequently seeks to recover;

Title Deeds

In relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents which make up the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;

Tracker Rate Loan

Loans 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 Seller Standard Variable Rate;

Tranche

Covered Bonds (other than N Covered Bonds) which are identical in all respects (including as to listing);

Transaction Account

The account designated as such (the initial details of which are sort code 160400, account number 31303283) in the name of the LLP held with the Account Bank and maintained subject to the terms of the Bank Account Agreement and the Deed of Charge or such 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 **Transaction Account** 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);

Transaction Documents

- (a) RBS Mortgage Sale Agreement
- (b) NWHL Mortgage Sale Agreement
- (c) Each Scottish Declaration of Trust
- (d) Servicing Agreement
- (e) Asset Monitor Agreement
- (f) Intercompany Loan Agreement
- (g) LLP Deed
- (h) Cash Management Agreement
- (i) Interest Rate Swap Agreement
- (j) Each Covered Bond Swap Agreement
- (k) Bank Account Agreement

- (l) Corporate Services Agreement
- (m) Deed of Charge (and any documents entered into pursuant to the Deed of Charge, including without limitation each Scottish Supplemental Charge and Scottish Sub-Security)
- (n) Trust Deed
- (o) Agency Agreement
- (p) Programme Agreement
- (q) each set of Final Terms ((i) as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement; and (ii) in respect of any Series of N Covered Bonds)
- (r) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement); and
- (s) Master Definitions and Construction Agreement;

Transfer Agent

The meaning given in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 115;

Transfer Certificate

The meaning given in Condition 2. (e) in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 118;

Transfer Date

Each of the First Transfer Date and the date of transfer of any New Portfolio to the LLP in accordance with the Mortgage Sale Agreements (or, if earlier, the date on which such New Portfolio becomes subject to the CCA Trusts);

True Balance

For any Loan as at any given date, the aggregate (but avoiding double counting) of:

- (a) the Initial Advance;
- (b) Capitalised Expenses;
- (c) Capitalised Interest; and
- (d) any increase in the principal amount of a Loan due to any Further Advance and/or Flexible Loan Drawing,

in each case relating to such Loan less any prepayment, repayment or payment of the foregoing made on or prior to that date;

Trust Deed

The meaning given in the section of this Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 114;

UCITS Directive

The meaning given on page 217;

Unfair Practices Directive

The meaning given on page 62;

UK Listing Authority

The UK Listing Authority, which is the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of FSMA;

Underpayment

A payment by a Borrower in an amount less than the Monthly Payment then due on the Loan;

UTCCR

Unfair Terms in Consumer Contracts Regulations 1999 as amended and the Unfair Terms in Consumer Contracts Regulations 1994;

Valuation Report

The valuation report or reports for mortgage purposes, in the form of one of the pro-forma contained in the Standard Documentation, obtained by the relevant Seller from a Valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the relevant officers of the relevant Seller;

Valuer

An Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers who was at the relevant time either a member of a firm which was on the list of Valuers approved by or on behalf of the relevant Seller from time to time or an Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers employed in-house by the Seller acting for the relevant Seller in respect of the valuation of a Property;

Variable Rate Flexible Loans

Those Loans, the rate of interest on which is set in accordance with the NWHL Flexible Choice Rate and/or the RBS Flexible Choice Rate or such other flexible rate employed by the Sellers from time to time;

Variable Rate Loans

Those Loans to the extent that and for such period that their Mortgage Conditions provide that they are subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Conditions (and shall, for the avoidance of doubt, exclude Loans during the period that are Fixed Rate Loans, Capped Rate Loans or Tracker Rate Loans);

Yield Shortfall Test

The test as to whether the aggregate amount of interest on the Loans and amounts under the Interest Rate Swap Agreement to be received by the LLP during the Relevant LLP Payment Period would give a yield on the Loans of at least LIBOR plus 0.15%;

Zero Coupon Covered Bonds

Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.

ISSUER

THE ROYAL BANK OF SCOTLAND PLC

Registered Office

36 St. Andrew Square
Edinburgh
EH2 2YB

THE LLP

RBS Covered Bonds Limited Liability Partnership

1 Princes Street
London EC2R 8BP

SECURITY TRUSTEE AND BOND TRUSTEE

Citicorp Trustee Company Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

**PRINCIPAL PAYING AGENT,
REGISTRAR, EXCHANGE AGENT
AND
TRANSFER AGENT**

Citibank, N.A., London Branch

Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB

LEGAL ADVISERS

To the Issuer, the LLP and the Sellers as to English law

Linklaters LLP
One Silk Street
London EC27 8HQ

*To the Issuer, the LLP and the Sellers
as to Scots law*

Dundas & Wilson C.S. LLP
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To the Issuer, the LLP and the Sellers as to German law

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Germany

To the Arranger and Dealers as to English Law
Allen & Overy LLP

One Bishops Square
London E1 6AD

To the Arranger and Dealers as to German law

Allen & Overy
Taunustor 2
60311 Frankfurt am Main
Germany

*To the Security Trustee and the Bond Trustee
as to English law*

Allen & Overy LLP
One Bishops Square
London E1 6AD

AUDITOR

To the LLP and the Issuer

Deloitte LLP
Chartered Accountants
2 New Street Square
London EC4A 3BZ

DEALER

The Royal Bank of Scotland plc
36 St. Andrew Square
Edinburgh
EH2 2YB

SUPPLEMENTARY PROSPECTUS DATED 28 May 2010



The Royal Bank of Scotland plc

(incorporated under the laws of Scotland with limited liability under the Companies Act 1948 to 1980, with registered number SC090312)

€15 billion

Global Covered Bond Programme unconditionally and irrevocably guaranteed as to payments of interest and principal by

RBS Covered Bonds Limited Liability Partnership

(a limited liability partnership incorporated in England and Wales)

This Supplement (the “**Supplement**”) to the Prospectus dated 30 April 2010 published in relation to the Programme (as defined below) (the “**Prospectus**”), which comprises a base prospectus, constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”) and is prepared in connection with the €15 billion global covered bond programme (the “**Programme**”) established by The Royal Bank of Scotland plc (the “**Issuer**”). Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus and the documents incorporated by reference therein.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Incorporation of Information by Reference into the Prospectus

The documents set out below, which have been (1) previously published and (2) approved by the Financial Services Authority or filed with it, shall be deemed to be incorporated in, and form part of, the Prospectus.

- (a) The press release of RBSG headed “The Royal Bank of Scotland Group plc Announces Results of Upper Tier 2 Exchange Offers and Aggregate Liquidation Preference/Principal Amount of Tier 1 Securities Validly Tendered as Part of the Tender Offers” published via RNS on 28 April 2010.
- (b) The press release of RBSG headed “The Royal Bank of Scotland Group plc Announces Pricing of Upper Tier 2 Exchange Offers, Results of Meetings and Acceptances of Exchange and Tender Offers” published via RNS on 29 April 2010.
- (c) The press release of RBSG headed “The Royal Bank of Scotland Group plc and National Westminster Bank Public Limited Company Announce Preliminary Results of their Tender Offer” published via RNS on 4 May 2010.

- (d) The press release of RBSG headed “The Royal Bank of Scotland Group plc and National Westminster Bank Public Limited Company Announce Final Results of their Tender Offer” published via RNS on 6 May 2010.
- (e) The RBSG Interim Management Statement Q1 2010 published via RNS on 7 May 2010.
- (f) The press release of RBSG headed “Royal Bank of Scotland Group PLC - Final Settlement Reached With US Dept of Justice” published via RNS on 11 May 2010.

Risk Factors

The risk factor headed “*Each of the Group’s businesses is subject to substantial regulation and oversight. Any significant regulatory developments could have an effect on how the Issuer Group conducts its business and on its results of operations and financial condition*” on pages 22 and 23 of the RBS Registration Document, which is incorporated by reference into the Prospectus, shall by virtue of this Supplement be deleted and replaced with the following risk factor:

“Each of the Group’s businesses is subject to substantial regulation and oversight. Any significant regulatory developments could have an effect on how the Issuer Group conducts its business and on its results of operations and financial condition

The Group is subject to financial services laws, regulations, corporate governance requirements, administrative actions and policies in each location in which it operates. All of these are subject to change, particularly in the current market environment, where there have been unprecedented levels of government intervention and changes to the regulations governing financial institutions, including recent nationalisations in the United States, the United Kingdom and other European countries. As a result of these and other ongoing and possible future changes in the financial services regulatory landscape (including requirements imposed by virtue of the Group’s participation in government or regulator-led initiatives), the Group expects to face greater regulation in the United Kingdom, the United States and other countries in which it operates, including throughout the rest of Europe. Compliance with such regulations may increase the Issuer Group’s capital requirements and costs and have an adverse impact on how the Issuer Group conducts its business, on the products and services it offers, on the value of its assets and on its results of operations and financial condition or result in a loss of value in the Securities.

Other areas where governmental policies and regulatory changes could have an adverse impact, and examples of governmental policy and regulatory changes which could have an adverse impact, include, but are not limited to:

- the introduction of a banking levy;
- employee remuneration;
- government-imposed requirements with respect to lending to the United Kingdom SME market;
- a separation of retail banking from investment banking and restrictions on proprietary trading and similar activities within a commercial bank and/or a group which contains a commercial bank;
- the monetary, interest rate, capital adequacy, liquidity, balance sheet leverage and other policies of central banks and regulatory authorities;

- general changes in government or regulatory policy or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which the Issuer Group operates, increase the costs of doing business in those markets or result in a reduction in the credit ratings of RBSG or one of its subsidiaries;
- changes to financial reporting standards;
- changes in regulatory requirements relating to capital and liquidity, such as limitations on the use of deferred tax assets in calculating Core Tier 1 and/or Tier 1 capital, or prudential rules relating to the capital adequacy framework;
- other general changes in the regulatory requirements, such as the imposition of onerous compliance obligations, restrictions on business growth or pricing, new levies or fees, requirements in relation to the structure and organisation of the Group and requirements to operate in a way that prioritises objectives other than shareholder value creation;
- changes in competition and pricing environments;
- further developments in financial reporting, corporate governance, corporate structure, conduct of business and employee compensation;
- differentiation among financial institutions by governments with respect to the extension of guarantees to bank customer deposits and the terms attaching to such guarantees, including requirements for the entire Group to accept exposure to the risk of any individual member of the Group, or even third party participants in guarantee schemes, failing;
- implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes;
- transferability and convertibility of currency risk;
- expropriation, nationalisation and confiscation of assets;
- changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for the Issuer Group's products and services."

Description of The Royal Bank of Scotland Group plc

The second and third paragraphs under the heading "Description of The Royal Bank of Scotland Group plc – RBS and the Group" on page 38 of the RBS Registration Document, which is incorporated by reference into the Prospectus, shall by virtue of this Supplement be deleted and replaced with the following paragraphs:

"The United Kingdom Government currently holds 68.39 per cent of the issued ordinary share capital of RBSG. This was reduced from 70.3 per cent following completion of a conversion of a series of preference shares into ordinary shares on 31 March 2010. On 22 December 2009, RBSG issued £25.5 billion of B Shares to HM Treasury. The B Shares are convertible, at the option of the holder at any time, into Ordinary Shares. HM Treasury has agreed that it shall not exercise rights of conversion in respect of the B Shares if and to the extent that following any such conversion it would hold more than 75 per cent. of the total issued shares in RBSG. Furthermore, HM Treasury has agreed that it shall not be entitled to vote in respect of the B Shares or the Dividend Access Share held by it to the extent that votes cast on such shares, together with any other votes which

HM Treasury is entitled to cast in respect of any other shares held by or on behalf of HM Treasury, would exceed 75 per cent. of the total votes eligible to be cast on a resolution proposed at a general meeting of RBSG.

The issue of the £25.5 billion of B Shares to HM Treasury on 22 December 2009 increased HM Treasury's economic interest in RBSG to 84.4 per cent but this was reduced to 83.18 per cent following completion of a conversion of a series of preference shares into ordinary shares on 31 March 2010. If the £8 billion Contingent B Shares were issued to HM Treasury (which is subject to certain conditions being met), assuming no other dilutive issuances, HM Treasury's economic interest in RBSG would increase further to 85.3 per cent. In addition, HM Treasury's economic interest in RBSG would also increase if RBSG elects to issue B Shares to HM Treasury as a means of paying the annual fee due under the APS or the Contingent Subscription (both of which would require the consent of HM Treasury) or to fund dividend payments under the terms of the Dividend Access Share or the B Shares."

Other investigations

The fourth paragraph under the heading "Other investigations" on page 47 of the RBS Registration Document, which is incorporated by reference into the Prospectus, shall by virtue of this Supplement be deleted and replaced with the following paragraph:

"In January 2010, the FSA informed the Group that it intended to commence an investigation into certain aspects of the handling of customer complaints. On 25 March 2010, the FSA formally notified the Group of the appointment of investigators in respect of aspects of complaint handling relating to RBS and NatWest retail bank products and services. RBSG and its subsidiaries intend to co-operate fully with this investigation."

Glossary

By virtue of this Supplement, the following changes are made to the section of the Prospectus entitled 'Glossary' starting on page 239 of the Prospectus.

The definition of "**Calculation Date**" on page 246 of the Prospectus shall, by virtue of this Supplement, be deleted and replaced with the following:

"Other than in respect of the first Calculation Date, the 17th day of each month (or if such day is not a London Business Day, then the immediately preceding Business Day). The first Calculation Date will be on 16 July 2010;"

The definition of "**Calculation Period**" on page 246 of the Prospectus shall, by virtue of this Supplement, be deleted and replaced with the following:

"The period from, and including, the first day of each month to, and including, the last day of each month except that the first Calculation Period means the period from and including the First Transfer Date, to and including 30 June 2010;"

The definition of "**LLP Payment Date**" on page 263 of the Prospectus shall, by virtue of this Supplement, be deleted and replaced with the following:

"The 22nd 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 22 July 2010;"

A copy of any or all of the information which is incorporated by reference in the Prospectus can be obtained from the website of the Issuer at www.rbs.com and from the London Stock Exchange plc's website at www.londonstockexchange.com/en-gb/pricesnews/marketnews/.

If the documents which are incorporated by reference in the Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Prospectus by virtue of this Supplement.

To the extent that there is any inconsistency between any statement in or incorporated by reference in the Prospectus by virtue of this Supplement and any other statement in or incorporated by reference in the Prospectus, the statements in or incorporated by reference in the Prospectus by virtue of this Supplement will prevail.

Save as disclosed in this Supplement or in any document incorporated by reference in the Prospectus by virtue of this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

Investors should be aware of their rights under Section 87Q(4) of the FSMA.