YORKSHIRE HOUSING FINANCE PLC<br>(incorporated in England and Wales with limited liability under the Companies Act 2006, registered number 9227343)

# £200,000,000 4.125 per cent. Secured Bonds due 2044 <br> (to be consolidated and form a single series with the <br> £200,000,000 4.125 per cent. Secured Bonds due 2044) 

The $£ 200,000,0004.125$ per cent. Secured Bonds due 2044 (the New Bonds) are issued by Yorkshire Housing Finance plc (the Issuer). The New Bonds have the same terms and conditions as, and will be consolidated and form a single series and rank pari passu with, the $£ 200,000,0004.125$ per cent. Secured Bonds due 2044 (the Original Bonds and, together with the New Bonds, the Bonds) issued by the Issuer on 31 October 2014.

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

Application has been made to the FCA for the New Bonds to be admitted to the Official List of the FCA (the Official List) and to the London Stock Exchange plc (the London Stock Exchange) for the New Bonds to be admitted to trading on the London Stock Exchange's main market. The London Stock Exchange's main market is not a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EC (MiFID II) but it is a regulated market for the purses of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (UK MiFIR).

## An investment in the New Bonds involves certain risks. For a discussion of these risks see "Risk Factors".

The Issuer will immediately purchase the New Bonds on the New Bond Issue Date (as defined below) (as such, the New Retained Bonds) and will on sell them to one or more investors at a later date. Subject as set out below, the net proceeds of the sale of the New Bonds to a third party (as deduction of expenses payable by the Issuer), will be advanced by the Issuer to Yorkshire Housing Limited (formerly known as Yorkshire Community Housing Limited) (the Original Borrower) pursuant to a bond loan agreement between the Original Borrower and the Issuer dated 31 October 2014, as supplemented on 24 June 2021, (together, the 2014 Yorkshire Loan Agreement) and as further supplemented by a supplemental bond loan agreement to be dated on or around the New Bond Issue Date (the Supplemental Yorkshire Loan Agreement and, together with the 2014 Yorkshire Loan Agreement, the Original Loan Agreement) to be applied in accordance with the Original Borrower's charitable objects.

Any net sale proceeds from a sale by the Issuer of New Retained Bonds (less any Retained Bond Premium Amount (as defined below)) and any net issue proceeds from a further issue of Bonds pursuant to Condition 19 (Further Issues)) shall be advanced to the Original Borrower and/or any other charitable Registered Provider of Social Housing of the Original Borrower Group (as defined below) that has acceded to the Security Trust Deed as a borrower in accordance with the terms thereof (together, the Additional Borrowers and, each, an Additional Borrower, and, together with the Original Borrower, the Borrowers, and, each, a Borrower) at a later date pursuant to the Original Loan Agreement or an additional bond loan agreement between an Additional Borrower and the Issuer (each an Additional Loan Agreement and, together with the Original Loan Agreement, the Loan Agreements and, each, a Loan Agreement) to the extent that Properties of a corresponding value have been charged in favour of the Security Trustee for the benefit of the Issuer and, if applicable, subject to the sale by the Issuer of Retained Bonds and/or the issue by the Issuer of further Bonds.

Interest on the New Bonds is payable semi-annually in arrear in equal instalments on 30 April and 31 October (each an Interest Payment Date) in each year at the rate of 4.125 per cent. per annum, commencing on 31 October 2021, as described in Condition 7 (Interest). Payments of principal of, and interest on, the New Bonds will be made without withholding or deduction on account of United Kingdom taxes unless required by law. In the event that any such withholding or deduction is so required, the Issuer may opt to gross up payments due to the Bondholders in respect thereof as described in Condition 10 (Taxation).

The Bonds may be redeemed at any time, in whole or in part, upon the prepayment by a Borrower of the corresponding portion of its loan (each a Loan) in accordance with the terms of its Loan Agreement at the higher of par and an amount calculated by reference to the sum of (i) the yield on the relevant outstanding United Kingdom government benchmark gilt having the nearest maturity to that of the Bonds and (ii) 0.20 per cent., together with accrued interest. The Bonds will also be redeemed in full at their principal amount, plus accrued interest, (i) in the event of a mandatory prepayment of a Loan following the relevant Borrower ceasing to be a Registered Provider of Social Housing (other than if such Borrower regains its status as a Registered Provider of Social Housing within 180 days, or an equivalent Commitment is put in place with another Borrower, and the Bondholders do not elect to exercise the Bondholder Put Option (as described below)) or a Loan becoming repayable as a result of a Loan Event of Default (as defined in each Loan Agreement) or (ii) in the event of any withholding or deduction on account of United Kingdom taxes being required and the Issuer not opting to pay (or having so opted to pay, having subsequently notified the Bond Trustee
(as defined below) of its intention to cease to pay) additional amounts in respect of such withholding or deduction. In addition, Bondholders may require the Issuer to procure that a member of the Original Borrower Group (as defined herein) purchases their Bonds, subject to and in accordance with Condition 9.10 (Bondholder Put Option), following a breach by the Borrowers of the Interest Cover Test (as defined in the Loan Agreements) or if a Commitment is put in place with a different Borrower, following an existing Borrower ceasing to be a Registered Provider of Social Housing.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 31 October 2044 (the Maturity Date).

The Original Borrower has been assigned a credit rating of "A3" by Moody's Investors Service Limited (Moody's), and it is expected that the New Bonds will also be rated "A3" by Moody's. These ratings may not reflect the potential impact of all risks related to the structure, market and other factors that may affect the value of the Bonds. A 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. As at the date of this Prospectus, Moody's is established in the United Kingdom and are registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the UK CRA Regulation). Moody's is not established in the European Union nor has it applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation). However, the rating issued by Moody's has been endorsed by Moody's Deutschland GmbH in accordance with the CRA Regulation. As at the date of this Prospectus, Moody's Deutschland GmbH is established in the European Union and registered under the CRA Regulation. As such, Moody's Deutschland GmbH is included in the list of credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the CRA Regulation.

The New Bonds will be issued in denominations of $£ 100,000$ and integral multiples of $£ 1,000$ in excess thereof.
The New Bonds will initially be represented by a temporary global bond (the Temporary Global Bond), without interest coupons, which will be deposited on or about 7 October 2021 (the New Bond Issue Date) with a common safekeeper for Euroclear Bank SA/NV (Euroclear) and Clearstream Banking S.A. (Clearstream, Luxembourg). Interests in the Temporary Global Bond will be exchangeable for interests in a permanent global bond (the Permanent Global Bond and, together with the Temporary Global Bond and the permanent global bond representing the Original Bonds, the Global Bonds), without interest coupons, on or after 16 November 2021 (the Exchange Date), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Bond will be exchangeable for definitive Bonds only in certain limited circumstances. See "Form of the New Bonds and Summary of Provisions relating to the New Bonds while in Global Form".

The date of this Prospectus is 5 October 2021.

This Prospectus comprises a prospectus for the purposes of the UK Prospectus Regulation.
The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

The Original Borrower accepts responsibility for:
(a) the information under the heading "Factors which may affect the Borrowers' ability to fulfil their obligations under the Loan Agreements" in the section entitled "Risk Factors";
(b) the information in the sections entitled "Description of the Original Borrower" and "Description of the Regulation and Funding Environment applicable to the Borrowers";
(c) its financial statements referred to in the section entitled "Documents Incorporated by Reference";
(d) the information relating to the security created and to be created by it pursuant to the Legal Mortgages (as defined below) under the heading "Underlying Security" in the section entitled "Overview", under the heading "Considerations relating to the Issuer Security and the Underlying Security" in the section entitled "Risk Factors" and in the section "Description of the Legal Mortgages and the Security Trust Deed"; and
(e) the information relating to it contained under the headings "Material or Significant Change" and "Litigation" in the section headed "General Information",
and, to the best of its knowledge, such information is in accordance with the facts and such information makes no omission likely to affect its import.

Savills Advisory Services Limited (the Valuer) accepts responsibility for the information contained in the section entitled "Valuation Report" and, to the best of its knowledge, such information is in accordance with the facts and such information makes no omission likely to affect its import.

With the exception of the information contained in the section entitled "Valuation Report", the Valuer does not accept any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer or the Original Borrower in connection with the issue of the New Bonds. The Valuation Report refers to the position at the date stipulated therein, and the Valuer is not obliged to take any action after the date of this Prospectus to review or to update the Valuation Report. To the extent that the Issuer has summarised or included any part of the Valuation Report in this Prospectus, such summaries or extracts should be considered in conjunction with the entire Valuation Report.

The figures referred to in the Valuation Report in the sections entitled "Market Commentary" and "Valuation Advice" were obtained from HM Land Registry, the Office for National Statistics (the ONS) and Social Housing. The Issuer confirms that such figures have been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by the HM Land Registry, the ONS and Social Housing, no facts have been omitted which would render the reproduced figures inaccurate or misleading.

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 should be read and construed on the basis that such documents are incorporated in, and form part of, this Prospectus.

Save for the Issuer, the Original Borrower and the Valuer (in respect of the section entitled "Valuation Report" only), no other person has independently verified (a) any information contained herein or (b) any matter which is the subject of any statement, representation, warranty or covenant of the Issuer or the Original Borrower contained in the Bonds or any of the Transaction Documents (as defined below). No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Prudential Trustee Company Limited (the Bond Trustee) as to (i) the accuracy or completeness of the information contained in, or incorporated by reference in, this Prospectus or any other information provided by the Issuer, the Original Borrower or any other person in connection with the offering of the New Bonds or (ii) the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of the Bonds or any Transaction Document. The Bond Trustee accepts no liability in relation to the information contained in, or incorporated by reference in, this Prospectus or any other information provided by the Issuer, the Original Borrower or any other person in connection with the issue of the New Bonds.

No person is or has been authorised by the Issuer, the Original Borrower or the Bond 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 offering of the New Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Original Borrower or the Bond Trustee.

To the fullest extent permitted by law, the Bond Trustee accepts no responsibility for the contents of this Prospectus or for any other statement made or purported to be made by it or on its behalf in connection with the Issuer, the Original Borrower or the issue and offering of the New Bonds. The Bond Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

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

Neither the delivery of this Prospectus nor the offering, sale or delivery of the New Bonds shall in any circumstances imply that the information contained herein concerning the Issuer or the Original Borrower is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the New Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Bond Trustee expressly does not undertake to review the financial condition or affairs of the Issuer or the Original Borrower during the life of the Bonds or to advise any investor in the New Bonds of any information coming to their attention.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act) and are subject to U.S. tax law requirements. Subject to certain exceptions, the New Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any New 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 New Bonds may be restricted by law in certain jurisdictions. The Issuer, the Original Borrower and the Bond Trustee do not represent that this Prospectus may be lawfully distributed, or that any New Bonds may be lawfully offered or sold, 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 Original Borrower or the Bond Trustee which is intended to permit a public offering of any New Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no New 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 New Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of New Bonds.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

## Presentation of Financial Information

Unless otherwise indicated, the financial information in this Prospectus has been derived from the financial statements of the Issuer and the Original Borrower.

The Issuer's and the Original Borrower's financial year ends on 31 March, and references in this Prospectus to any specific year are to the 12 month period ended on 31 March of such year. The financial statements of the Issuer have been prepared and audited in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and (United Kingdom) Generally Accepted Accounting Principles. The financial statements of the Original Borrower have been prepared and audited in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, the Statement of Recommended Practice, "Accounting by registered social housing providers" 2014 and the Borrower Accounting Direction for Private Registered Providers of Social Housing 2019.

## Certain Defined Terms

Capitalised terms which are used but not otherwise defined in any particular section of this Prospectus will have the meanings attributed to them in the section headed "Conditions of the New Bonds" or any other section of this Prospectus. In addition, all references in this Prospectus to Sterling and $£$ refer to pounds sterling and all references to a billion refer to a thousand million.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments.

## SUITABILITY OF INVESTMENT

The New Bonds may not be a suitable investment for all investors. Each potential investor in the New Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:
(a) has sufficient knowledge and experience to make a meaningful evaluation of the New Bonds, the merits and risks of investing in the New Bonds and the information contained in this Prospectus;
(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the New Bonds and the impact the New Bonds will have on its overall investment portfolio;
(c) has sufficient financial resources and liquidity to bear all the risks of an investment in the New Bonds, including where the currency for principal and interest payments is different from the potential investor's currency;
(d) understands thoroughly the terms of the New Bonds and is familiar with the behaviour of financial markets; and
(e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review and regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the New Bonds are legal investments for it, (ii) the New Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any New Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

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

PROHIBITION OF SALES TO UK RETAIL INVESTORS - The New Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or both) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the UK PRIIPs Regulation) for offering or selling the New Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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## Overview

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.

This overview must be read as an introduction to this Prospectus and any decision to invest in the New Bonds should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in "Conditions of the New Bonds", "Form of the Bonds and Summary of Provisions relating to the New Bonds while in Global Form" and "Description of the Loan Agreements" shall have the same meanings in this overview.

| Issuer: | Yorkshire Housing Finance plc |
| :--- | :--- |
|  | Legal Entity Identifier (LEI): 213800 Y8UNLWBP74TZ18 |

## Description of the New Bonds:

## Use of Proceeds:

## Status of the New Bonds:

orm Bonds:

Interest:
£200,000,000 4.125 per cent. Secured Bonds due 2044 (the New Bonds), to be issued by the Issuer on 7 October 2021 (the New Bond Issue Date) (to be consolidated and form a single series with the £200,000,000 4.125 per cent. Secured Bonds due 2044 (the Original Bonds and, together with the New Bonds, the Bonds)).

The New Bonds will be immediately purchased by or on behalf of the Issuer on the New Bond Issue Date (as such, the New Retained Bonds) and will be on sold to one or more investors at a later date.

The net proceeds of the sale of the New Bonds to a third party (after deduction of expenses payable by the Issuer) will be on-lent by the Issuer to the Original Borrower or (to the extent that the Original Borrower has reduced its commitment) to an Additional Borrower.

Subject as described in "Initial Cash Security Account" below, the Issuer will lend such proceeds to the Original Borrower and/or one or more Additional Borrowers pursuant to the relevant Loan Agreement to be applied in accordance with the charitable objects of such Borrower or such Additional Borrower, as the case may be.

The Issuer may from time to time invest the funds held in the Initial Cash Security Account and the Ongoing Cash Security Account in Permitted Investments (each as defined below) until such time as such funds are on-lent, or returned, to a Borrower pursuant to the relevant Loan Agreement.

The New Bonds and Coupons will constitute direct, secured, unsubordinated obligations of the Issuer and will rank pari passu among themselves and with the Original Bonds.

The New Bonds will be issued in bearer form as described in "Form of the New Bonds and Summary of provisions relating to the New Bonds while in Global Form".

The New Bonds will bear interest at a fixed rate of 4.125 per cent. per annum payable semi-annually in arrear in equal instalments on 30 April and 31 October of each year, from (and including) 30 April

## Final Redemption:

Early Redemption for Tax Reasons:

Mandatory Early Redemption:

Early Redemption: Subject as described in "Mandatory Early Redemption" below, the Bonds shall be redeemed in whole or in part at any time upon the optional prepayment by a Borrower of its loan (the Loan) or any part thereof in accordance with the terms of the relevant Loan Agreement at the higher of par and an amount calculated by reference to the sum of:
(a) the yield on the relevant outstanding UK Government benchmark conventional gilt having the nearest maturity to that of the Bonds; and
(b) 0.20 per cent., together with accrued interest.

2021 to (but excluding) 31 October 2044 (the Maturity Date), subject to adjustment in accordance with Condition 8.5 (Payment Day) (each, an Interest Payment Date).

Unless previously redeemed or purchased and cancelled in accordance with Condition 9 (Redemption and Purchase), the Bonds will be redeemed at their principal amount on the Maturity Date.

The Issuer shall redeem the Bonds in whole, but not in part, at their principal amount, together with any interest accrued, if, as a result of any actual or proposed change in tax law, the Issuer determines that it would be required to make a withholding or deduction on account of tax in respect of payments to be made by it in respect of the Bonds and the Issuer does not opt to pay additional amounts pursuant to Condition 10.2 (No obligation to pay additional amounts) or, having so opted, notifies the Bond Trustee of its intention to cease paying such additional amounts.

If a Loan becomes repayable:
(a) as a result of a Loan Event of Default; or
(b) following a Borrower ceasing to be a Registered Provider of Social Housing (other than if the relevant Borrower regains its status as a Registered Provider of Social Housing within 180 days),
then (unless the Issuer has agreed with another Borrower to increase its Commitment by the relevant amount of the Loan to be prepaid not later than the date on which the relevant amount of Bonds would otherwise be redeemed), the Issuer shall redeem the Bonds in an aggregate principal amount equal to the principal amount of the relevant Loan at their principal amount, plus accrued interest.

A Loan Event of Default includes non-payment, breach of other obligations, cross-acceleration in an amount equal to or in excess of $£ 10,000,000$ or its equivalent in other currencies, winding-up, cessation of business, insolvency, unlawfulness and breach of the asset cover ratio, as set out in Clause 16 (Default) of the 2014 Yorkshire Loan Agreement (or as will be set out in the corresponding
clause of each Additional Loan Agreement) and described further in "Description of the Loan Agreements".

## Bondholder Put Option:

Purchase:

Retained Bonds:
Within 30 days of (i) the Issuer becoming aware of any failure of the Borrowers to comply with the Interest Cover Test or (ii) the Issuer agreeing with a Borrower to increase its Commitment, following another Borrower ceasing to be a Registered Provider of Social Housing, the Issuer shall convene a meeting of Bondholders to consider, by Extraordinary Resolution and in accordance with Condition 17 (Meetings of Bondholders, Modification and Waiver), whether or not to approve the ability of Bondholders to exercise the put option described in Condition 9.10 (Bondholder Put Option).

If the Bondholders approve such Extraordinary Resolution, then any Bondholder may, within 30 days of such approval, give an irrevocable notice to the Issuer of such Bondholder's decision to require the Issuer to procure that a member of the Original Borrower Group purchases all of the Bonds owned by such Bondholder on the day falling 45 days after the date on which the Extraordinary Resolution was so approved (the Put Option Date).

On the Put Option Date, the Issuer shall procure that a member of the Original Borrower Group purchases, in whole (but not in part), all of the Bonds in respect of which the relevant Bondholders have exercised the Bondholder Put Option, at their principal amount plus an amount equal to accrued interest to (but excluding) the Put Option Date.

The New Retained Bonds will be immediately purchased by the Issuer on the New Bond Issue Date.

The Issuer, any Borrower and any other member of the Original Borrower Group may also purchase Bonds at any time in the open market or otherwise at any price.

Any Bonds so purchased by a Borrower or any other member of the Original Borrower Group may be surrendered to the Issuer for cancellation in consideration for an amount equal to the principal amount of the Bonds being surrendered being deemed to be prepaid under the Loan Agreement specified by such Borrower or other member of the Original Borrower Group or, to the extent that the relevant Loan is not then outstanding, an amount of the Undrawn Commitment (as defined below) equal to the principal amount of the Bonds surrendered being deemed to be cancelled.

Pursuant to the terms of the Retained Bond Custody Agreement, the Retained Bond Custodian will hold the New Retained Bonds on the Issuer's behalf (see "Account Agreement, Custody Agreement and Retained Bond Custody Agreement" below), and the Issuer has instructed the Retained Bond Custodian to waive its rights to receive payments (of interest, principal or otherwise) on the New Retained Bonds for so long as the Retained Bonds are held on the Issuer's
behalf. Such waiver may not be revoked without the consent of the Bond Trustee.

Pursuant to the Bond Trust Deed, the Issuer has covenanted with the Bond Trustee that it will, immediately prior to a sale of any Retained Bonds by the Issuer, deliver to the Bond Trustee a certificate in writing signed by two directors of the Issuer addressed to the Bond Trustee confirming that, immediately following the sale of such Retained Bonds, the Borrowers will be in compliance with the Asset Cover Test. For the purpose of giving such confirmation, the Issuer will require the Borrowers to deliver a Retained Bond Compliance Certificate pursuant to each Loan Agreement, as described further in "Description of the Loan Agreements".

The New Retained Bonds may only be held on the Issuer's behalf until (but not including) the date falling five years after the New Bond Issue Date, and the Issuer must therefore sell the New Retained Bonds within that five-year period, or else any New Retained Bonds that have not been so sold will be cancelled in accordance with Condition 9.9 (Cancellation of purchased or redeemed Bonds).

## Events of Default:

## Issuer Security

Following an Event of Default, the Bond Trustee may, and if so requested by the holders of at least one-fourth in principal amount of the Bonds then outstanding shall (subject to it being secured and/or indemnified and/or pre-funded to its satisfaction and, upon certain events, the Bond Trustee having certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders), give notice to the Issuer and the Bonds shall become immediately due and repayable at their aggregate principal amount together with accrued interest.

The Events of Default include, inter alia, non-payment of any principal and interest due in respect of the Bonds, failure of the Issuer to perform or observe any of its other obligations under the Conditions and the Bond Trust Deed, insolvency, unlawfulness and acceleration, or non-payment, in respect of other indebtedness in an aggregate amount equal to or in excess of $£ 10,000,000$ (or its equivalent).

Upon the Bonds becoming repayable prior to the Maturity Date (other than as a result of a prepayment or termination of a Loan Agreement), each Borrower is required to prepay its Loan in full together with accrued interest and commitment fee to and including the date of redemption. The Borrowers are also required to pay to the Issuer, within three Business Days of demand, the Issuer's costs, expenses and liabilities throughout the life of the Bonds.

The Issuer's obligations in respect of the Bonds are secured pursuant to the Issuer Security Deed in favour of the Bond Trustee for the benefit of itself and the Bondholders and the other Issuer Secured Creditors by the following (the Issuer Security):
(a)
an assignment by way of security of the Issuer's rights, title and interest arising under the Loan Agreements, the Accession Deed, the Security Trust Deed, the Legal Mortgages, the Agency Agreement, the Custody Agreement and the Account Agreement;
(b) a charge by way of first fixed charge over all moneys and/or securities from time to time standing to the credit of the Transaction Account, the Ongoing Cash Security Account, the Initial Cash Security Account and the Custody Account and all debts represented thereby; and
(c) a charge by way of first fixed charge over the Paying Agents' obligation to repay to the Issuer all sums held from time to time by the Paying Agents for the payment of principal or interest in respect of the Bonds and not otherwise claimed.

Initial Cash Security Account:

For so long as insufficient security has been granted by the Borrowers in favour of the Security Trustee for the benefit of the

## Ongoing Cash Security Account:

Issuer to permit the drawing of the Aggregate Funded Commitment in full or the Borrowers have not otherwise drawn any part of the Aggregate Funded Commitment, the amount of the Aggregate Funded Commitment that remains undrawn shall be retained in a charged account (the Initial Cash Security Account) of the Issuer (and may be invested in Permitted Investments) in accordance with the terms of the Account Agreement and the Custody Agreement (the Retained Proceeds).

Funds standing to the credit of the Initial Cash Security Account may: (a) be held on deposit, in which case they shall accrue interest at a rate notified from time to time by the Account Bank to the Issuer pursuant to the Account Agreement or (b) be invested in Permitted Investments in accordance with the Custody Agreement. See "Permitted Investments" below.

Pursuant to the Loan Agreements, each Borrower shall pay to the Issuer a commitment fee in respect of its Undrawn Commitment on each Loan Payment Date in an amount equal to its pro rata share of (a) the aggregate of the interest payable by the Issuer under the Bonds on the following Interest Payment Date less (b) the interest received from the Borrowers under the Loan Agreements on such Loan Payment Date and the interest otherwise received by the Issuer in respect of the Retained Proceeds during that period (including, but not limited to, any income received in respect of any Permitted Investments in which any Retained Proceeds are, for the time being, invested).

See "Description of the Loan Agreements" below.

Pursuant to the Loan Agreements, each Borrower is required to procure that, inter alia, the specified asset cover ratio is maintained (see "Description of the Loan Agreements" below). In the event that the value of any Mortgaged Property is insufficient to maintain the
asset cover ratio, the Borrowers may deposit moneys into the Ongoing Cash Security Account. Such moneys will be charged in favour of the Bond Trustee pursuant to the terms of the Issuer Security Deed.

Funds standing to the credit of the Ongoing Cash Security Account may:
(a) be held on deposit, in which case they shall accrue interest at a rate notified from time to time by the Account Bank to the Issuer pursuant to the Account Agreement; or
(b) be invested in Permitted Investments in accordance with the Custody Agreement. See "Permitted Investments" below.

Moneys standing to the credit of the Ongoing Cash Security Account may be withdrawn:
(i) to be applied in the acquisition of Property to be charged in favour of the Security Trustee for the benefit of the Issuer; or
(ii) to the extent that the asset cover ratio would not be breached immediately after such withdrawal.

Permitted Investments: Permitted Investments shall consist of:
(a) deposits with any United Kingdom bank or building society subject to such bank or building society having long term senior unsecured debt credit ratings of not less than "A" from Standard \& Poor's Ratings Services (S\&P), "A" from Fitch Ratings Ltd (Fitch) or "A2" from Moody's;
(b) deposits with any non-United Kingdom bank subject to such bank having long term senior unsecured debt credit ratings of not less than "AA" from S\&P or "Aa2" from Moody's;
(c) full recourse debt instruments with a maturity no later than the earlier of (i) the date falling 5 years after the date of purchase and (ii) 31 October 2044 that are issued by EU credit institutions having long term senior unsecured debt credit ratings of not less than "AAA" from S\&P or "Aaa" from Moody's that are fully secured or "covered" by a pool of on-balance sheet collateral;
(d) securities with a maturity no later than the earlier of (i) the date falling 5 years after the date of purchase and (ii) 31 October 2044 that are issued by supranational agencies having long term senior unsecured debt credit ratings of not less than "AAA" from S\&P or "Aaa" from Moody's;
(e) money market funds having long term senior unsecured debt credit ratings of not less than "AAAm" from S\&P, "Aaa-mf" from Moody's or "AAAmmf" from Fitch; and
(f) direct obligations of the United Kingdom or of any agency or instrumentality of the United Kingdom which are guaranteed by the United Kingdom with a maturity no later than 31 October 2044,
provided that (i) in all cases, such investment shall be an investment which is denominated in Sterling and (ii) in the case of (a) to (e), no more than $£ 20,000,000$ shall be deposited with any one institution or invested in any one security.

In the event that any Permitted Investments are sold to fund a drawing by a Borrower pursuant to a Loan Agreement and such sale results in a loss realised by the Issuer, such drawing to be made by the Issuer to the relevant Borrower pursuant to the relevant Loan Agreement shall be advanced in an amount equal to the Actual Advance Amount (as defined in each Loan Agreement) (which may be a discount to the principal amount requested).

In the event that any Permitted Investments are sold to fund an advance to a Borrower pursuant to a Loan Agreement and such sale results in a gain realised by the Issuer (such gain, the Permitted Investment Profit), the Issuer shall advance moneys to such Borrower at the principal amount requested and shall make one or more gift aid payments to a charitable member of the Original Borrower Group (a Charitable Group Member) in an amount equal to the Permitted Investment Profit.

Immediately prior to the end of each accounting period, to the extent that the Issuer would otherwise be required to recognise a profit for tax purposes in respect of its Permitted Investments and/or Retained Bonds as a result of the movement in the fair value recognised in its accounts of such Permitted Investments and/or Retained Bonds for that accounting period, the Issuer shall sell Permitted Investments in an aggregate amount equal to the Accounting Profit (as defined in each Loan Agreement) and shall, make a gift aid payment or any Charitable Group Member in an amount equal to the Accounting Profit.

See "Description of the Loan Agreements - Facility".
The Issuer has appointed Citibank, N.A., London Branch as its Account Bank pursuant to the Account Agreement, its Custodian pursuant to the Custody Agreement and its Retained Bond Custodian in respect of the Retained Bonds pursuant to the Retained Bond Custody Agreement.

Pursuant to the Account Agreement, the Account Bank maintains three accounts for the Issuer in respect of the Bonds: the Transaction Account, the Initial Cash Security Account and the Ongoing Cash Security Account. Pursuant to the Account Agreement and the Bond Trust Deed, the Issuer has entered into certain covenants in respect
of the moneys which may be credited to and debited from each Account.

Pursuant to the Custody Agreement, the Custodian maintains the Custody Account (consisting of the Ongoing Cash Security Custody Sub-Account, the Initial Cash Security Custody Sub-Account, the Ongoing Cash Security Cash Sub-Account and the Initial Cash Security Cash Sub-Account). The Issuer has authorised the Custodian to make payments and delivery out of the Custody Account only for the purpose of any acquisition or sale of Permitted Investments or as set out therein as directed by the Issuer.

Pursuant to the Retained Bond Custody Agreement, the Retained Bond Custodian maintains the Retained Bond Custody Account (consisting of the Retained Bond Custody Sub-Account and the Retained Bond Cash Sub-Account). The Retained Bond Custodian has agreed not to effect a transfer of any Retained Bonds except with the prior written consent of the Bond Trustee, and the Issuer has authorised the Retained Bond Custodian to make other payments and delivery out of the Retained Bond Custody Account only as set out therein.

See "Description of the Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement" below.

Guarantee and Indemnity: Pursuant to the Loan Agreements, the Original Borrower has (and each Additional Borrower will have) irrevocably and unconditionally:
(a) guaranteed to the Issuer the punctual performance by each other Borrower of all such Borrowers' obligations under, inter alia, their respective Loan Agreements, the Security Trust Deed and their respective Legal Mortgages, other than each other Borrower's obligations to repay principal and any prepayment premium thereon pursuant to their respective Loan Agreements (such amounts being, the Guaranteed Interest and Fee Amounts);
(b) undertaken with the Issuer that, whenever any other Borrower does not pay any Guaranteed Interest and Fee Amounts when due under, its respective Loan Agreement, the Security Trust Deed or its respective Legal Mortgages, it must, immediately on demand by the Security Trustee and/or the Issuer, pay the Guaranteed Interest and Fee Amounts as is if it were the principal obligor;
(c) undertaken with the Issuer that, to the extent that the proceeds of the enforcement of the Underlying Security are insufficient to satisfy the Borrowers' obligations under their respective Loan Agreements in full (the shortfall being, the Guaranteed Principal Amount), it must, immediately on demand by the Security Trustee and/or the Issuer, pay the

Guaranteed Principal Amount as if it were the principal obligor; and
(d) agreed to indemnify the Issuer immediately on demand against any loss or liability suffered by the Issuer if any obligation guaranteed by it is or becomes illegal or invalid.

## Underlying Security:

Addition, substitution and release of Mortgaged Properties:

Pursuant to the Legal Mortgages and the Security Trust Deed, the Original Borrower has (and each of the other Borrowers will, if agreed with the Issuer, and in the case of the Borrowers other than the Original Borrower upon such entities becoming Borrowers in accordance with the terms of the Security Trust Deed, have) created first legal mortgages over all of the Borrower's right, title and interest from time to time in the Mortgaged Property (as defined in the Legal Mortgages) in favour of the Security Trustee for the benefit of itself and the Issuer (the Underlying Security). Until a Loan Event of Default has occurred and is outstanding, each Borrower shall be entitled to exercise all its rights under or in connection with the Mortgaged Properties save to the extent expressly provided pursuant to the Legal Mortgages and the Security Trust Deed.

The Issuer has secured its rights, title and interest in respect of the Underlying Security in favour of the Bond Trustee pursuant to the Issuer Security Deed.

See "Description of the Legal Mortgages and the Security Trust Deed" below.

The Security Trust Deed provides that the Borrowers and the Issuer shall agree the allocation of properties which shall comprise the Issuer's Designated Security in respect of each Loan Agreement. All properties which are not Designated Security shall form the Undesignated Security.

Pursuant to the Loan Agreements, the Borrowers have agreed that they shall not enter into any further Legal Mortgage in respect of any Property for the benefit of the Issuer (or allocate any Property as part of the Issuer's Designated Security), unless, in respect of such security, the relevant Borrower provides to the Issuer and the Security Trustee a completed Additional Property Certificate confirming that, inter alia, the proposed Additional Properties are residential properties of a type and nature that are usually owned by Registered Providers of Social Housing, Full Valuation Reports in respect of each Additional Property, a Certificate of Title in respect of each tranche of Additional Properties charged and the other Additional Property conditions precedent set out in the relevant Loan Agreement.

At the request and expense of a Borrower, the Security Trustee shall (subject to receiving instructions from the Issuer to effect such release, and an amended Designated Properties Schedule from, inter alios, the relevant Borrower and the Issuer in accordance with the Security Trust Deed) release from the relevant Security

Documents (and/or reallocate, if applicable) such of the Properties forming part of the Issuer's Designated Security and substitute such of the Properties as may be selected by such Borrower. The Issuer will be required to give instructions to the Security Trustee approving such release, provided that the relevant Borrower satisfies the conditions precedent specified in the relevant Loan Agreement in relation to the Substitute Properties. Such conditions precedent include, inter alia, a completed Substitute Property Certificate certifying, inter alia, that each Substitute Property is a residential property of a type and nature that is usually owned by Registered Providers of Social Housing, that, immediately following such release (and/or reallocation, if applicable), the Asset Cover Test will not be breached as a result of the substitution of the relevant Properties and that no Event of Default or Potential Event of Default has occurred and is continuing, a Valuation in respect of each Substitute Property and a Certificate of Title in respect of the Substitute Properties.

At the request and expense of a Borrower, the Security Trustee shall release (subject to receiving instructions from the Issuer to effect such release, and an amended Designated Properties Schedule from, inter alios, the relevant Borrower and the Issuer in accordance with the Security Trust Deed) from the relevant Security Documents (and/or reallocate, if applicable) from the relevant Security Documents (and/or reallocate, if applicable) such Properties forming part of the Issuer's Designated Security as may be selected by the relevant Borrower. The Issuer will be required to give instructions to the Security Trustee approving such release, provided that the relevant Borrower delivers to the Issuer and the Security Trustee a completed Property Release Certificate, certifying that, immediately following such release (and/or reallocation, if applicable), the Asset Cover Test will not be breached as a result of the release (and/or reallocation, if applicable) of such part of the security and that no Event of Default or Potential Event of Default has occurred and is continuing.

Notwithstanding the above, where any disposal is a Statutory Disposal a Borrower shall have the right to withdraw such Property from the Issuer's Designated Security. In such circumstances the relevant Borrower is obliged to deliver, as soon as reasonably practicable after it has received notice of such Statutory Disposal, a completed Statutory Disposal Certificate to the Issuer and the Security Trustee certifying that the relevant withdrawal relates to a Statutory Disposal and, if the Statutory Disposal would result in a breach of the Asset Cover Test, confirming that it shall procure that additional Properties are charged pursuant to the Security Trust Deed and/or agree with the Security Trustee an adjustment to the Issuer's Designated Security and/or moneys are deposited into the Ongoing Cash Security Account, in accordance with the Loan Agreements, such that any breach of the Asset Cover Test will be cured.

## Enforcement of the Underlying Security and the Issuer Security:

Priorities of Payments:
Following a Loan Event of Default, the Issuer may declare the Underlying Security immediately enforceable and/or declare the relevant Loan immediately due and repayable. Pursuant to the Security Trust Deed, the Security Trustee shall only be required to take action to enforce or protect the security in respect of the Loan Agreements if so instructed in writing by the Issuer (and then only if it has been indemnified and/or secured and/or prefunded to its satisfaction).

The Issuer has assigned its rights under, inter alia, the Legal Mortgages and the Security Trust Deed, and, pursuant to Condition 6.3 (Loan Agreements, Legal Mortgages and Security Trust Deed Consents Covenant), has covenanted not to take any action or direct the Security Trustee to take any action pursuant thereto except with the prior consent of the Bond Trustee. The Bond Trustee may seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.

In enforcing the Issuer Security (including the Issuer's rights, title and interests in the Legal Mortgages and the Security Trust Deed insofar as they relate to the Bonds) the Bond Trustee may act in its discretion. It is, however, required to take action, pursuant to Condition 12.2 (Enforcement), where so directed by the requisite majority of the Bondholders provided, however, that it is secured and/or indemnified and/or pre-funded to its satisfaction.

See "Description of the Legal Mortgages and the Security Trust Deed" below.

Prior to the enforcement of the Issuer Security, the Issuer shall apply the moneys standing to the credit of the Transaction Account on each Interest Payment Date and such other dates on which a payment is due in respect of the Bonds in the following order of priority (the Preenforcement Priority of Payment):
(a) first, in payment of any taxes due and owing by the Issuer to any taxing authority (insofar as they relate to the Bonds);
(b) second, in payment of any Liabilities incurred by the Bond Trustee and any Appointee (including remuneration payable to it and any Appointee) in carrying out its functions under the Bond Trust Deed and the Issuer Security Deed;
(c) third, in payment of any unpaid fees, expenses and liabilities of the Issuer owing to the Paying Agents under the Agency Agreement, the Account Bank under the Account Agreement, the Custodian under the Custody Agreement and the Retained Bond Custodian under the Retained Bond Custody Agreement on a pro rata and pari passu basis;
(d) fourth, in payment of any other unpaid fees, expenses and liabilities of the Issuer (in so far as they relate to the Bonds) on a pro rata and pari passu basis;
(e) fifth, in payment, on a pro rata and pari passu basis, to the Bondholders of any interest due and payable in respect of the Bonds;
(f) sixth, in payment, on a pro rata and pari passu basis, to the Bondholders of any principal due and payable in respect of the Bonds;
(g) seventh, in payment to the Borrowers, on a pro rata and pari passu basis, of any amount due and payable under the terms of the Loan Agreements; and
(h) eighth, in payment of any Permitted Investment Profit, Accounting Profit or Retained Bond Premium Amount, as the case may be, to any Charitable Group Member.

Following the enforcement of the Issuer Security, all moneys standing to the credit of the Transaction Account, the Ongoing Cash Security Account and the Initial Cash Security Account and the net proceeds of enforcement of the Issuer Security shall be applied in the following order of priority (the Post-enforcement Priority of Payment):
(a) first, in payment of any Liabilities incurred by the Bond Trustee or any Receiver or Appointee in preparing and executing the trusts under the Bond Trust Deed and the Issuer Security Deed (including the costs of realising any Issuer Security and the Bond Trustee's and such Appointee's remuneration);
(b) second, in payment of all amounts owing to the Paying Agents under the Agency Agreement, the Account Bank under the Account Agreement, the Custodian under the Custody Agreement and the Retained Bond Custodian under the Retained Bond Custody Agreement on a pro rata and pari passu basis;
(c) third, in payment, on a pro rata and pari passu basis, to the Bondholders of any interest due and payable in respect of the Bonds;
(d) fourth, in payment, on a pro rata and pari passu basis, to the Bondholders of any principal due and payable in respect of the Bonds;
(e) fifth, in payment of any other unpaid fees and expenses of the Issuer (in each case insofar as they relate to the Bonds) on a pro rata and pari passu basis;
sixth, in payment to the Borrowers, on a pro rata and pari passu basis, of any amount due and payable under the terms of the Loan Agreement; and
(g) seventh, in payment of any Permitted Investment Profit, Accounting Profit or Retained Bond Premium Amount, as the case may be, to any Charitable Group Member.

## Covenants:

## Taxation:

Pursuant to Condition 6 (Covenants), the Issuer has covenanted not to engage in any activity or do anything other than carry out the business of a company which has as its purpose raising finance and on-lending such finance for the benefit of the Borrowers or another charitable Registered Provider of Social Housing that is a member of the Original Borrower Group or perform any act incidental to or necessary in connection with the aforesaid, without the consent of the Bond Trustee.

The Issuer has also covenanted to deliver to the Bond Trustee and, upon request by a Bondholder to the Issuer, to make available to any of the Bondholders, a copy of the Compliance Certificates and Security Adjustment Certificates received from the Borrowers pursuant to the terms of the Loan Agreements and a copy of the consolidated annual reports of the Original Borrower following publication of the same. In addition to the rights of Bondholders to convene a meeting pursuant to Condition 17 (Meetings of Bondholders, Modification and Waiver), at the request of no less than 50 per cent. in aggregate principal amount of the Bondholders, the Issuer shall hold a meeting of the Bondholders to discuss the financial position of the Issuer and the Original Borrower Group, provided that the Issuer shall not be required to hold any such meeting more than once in any calendar year.

In addition, the Issuer has covenanted that, for so long as any of the Bonds remain outstanding, it shall not consent to any waiver, amendment or modification of, or take any action or direct the Security Trustee to take any action pursuant to, any Loan Agreement, the Legal Mortgages or the Security Trust Deed except with the prior consent of the Bond Trustee. The Bond Trustee may seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.

All payments in respect of the Bonds will be made without withholding or deduction for or on account of any taxes unless a tax deduction is required by law. In the event that any such withholding or deduction is required, the Issuer may at its option, but will not be obliged to, pay to Bondholders such additional amounts as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction will equal the amounts of principal and interest which would have been received in respect of the Bonds in the absence of such withholding or deduction. In the event that the Issuer does not opt to pay, or opts to pay and thereafter notifies the Bond Trustee and the Bondholders of its intention to cease paying, such additional amounts the Bonds shall be redeemed at their
principal amount, together with any accrued interest, in accordance with Condition 9.3 (Early Redemption for Tax Reasons).

> Meetings of Bondholders: The Conditions of the Bonds and the Bond Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

> There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Bonds. These are set out under "Risk Factors" below and include factors which may affect the Issuer's and/or the Original Borrower's ability to fulfil their obligations under the Bonds, the Loan Agreements and/or the Legal Mortgages, respectively, factors which are material for the purpose of assessing the market risks associated with the Bonds, risks relating to the security for the Bonds and risks relating to the market generally.

## See "Risk Factors" below.

## Rating:

## Listing and admission to trading:

## Principal Paying Agent,

 Account Bank, Custodian and Retained Bond Custodian:It is expected that the Bonds will be rated "A3" by Moody's. As of the date of this Prospectus, Moody's is established in the United Kingdom and is registered under the UK CRA Regulation. As such, Moody's is included in the list of credit rating agencies published by FCA on its website in accordance with the UK CRA Regulation. As at the date of this Prospectus, Moody's is not established in the European Union nor has it applied for registration with the CRA Regulation. However, the rating issued by Moody's has been endorsed by Moody's Deutschland GmbH in accordance with the CRA Regulation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Application has been made to the FCA for the New Bonds to be admitted to the Official List and to the London Stock Exchange for the New Bonds to be admitted to trading on the London Stock Exchange's main market.

Citibank, N.A., London Branch

Prudential Trustee Company Limited Trustee:

Original Borrower:

Yorkshire Housing Limited (formerly known as Yorkshire Community Housing Limited)

## Governing Law:

The Bonds, the Transaction Documents and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law.
Structure Diagram of Transaction


## Risk Factors

The Issuer believes that the following factors (which include factors which may affect the ability of the Original Borrower to fulfil its obligations under the Original Loan Agreement) may affect its ability to fulfil its obligations under the Bonds.

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in the New Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. This section is not intended to be exhaustive and prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. If any of the following risks actually materialise, the Issuer's and/or the Original Borrower's business, financial condition and prospects could be materially and adversely affected. No assurance can be given that prospective Bondholders will receive full and/or timely payment of interest and principal or ultimate recovery in relation to the Bonds.

## Factors which may affect the Issuer's ability to fulfil its obligations under the Bonds

Special Purpose Vehicle Issuer: The Issuer is a special purpose finance entity with no business operations other than the incurrence of financial indebtedness, including the issuance of the Bonds. As such the Issuer is entirely dependent upon receipt of funds received from the Borrowers in order to fulfil its obligations under the Bonds.

Credit Risk: The Issuer is, and therefore payments by the Issuer in respect of the Bonds are, subject to the credit risk of the Borrowers. The Issuer is subject to the risk of delays in the receipt, or risk of defaults in the making, of payments due from the Borrowers in respect of the Loan Agreements. Delays in the receipt of payments due from the Borrowers under any Loan Agreement could adversely affect the ability of the Issuer to fulfil its payment obligations under the Bonds.

Effect of Losses on Loan on Interest Payments and Repayments on the Bonds: There can be no absolute assurance that the levels or timeliness of payments of collections received in respect of the Loans will be adequate to ensure fulfilment of the Issuer's obligations in respect of the Bonds on each Interest Payment Date (including the Maturity Date). In addition, a default under a Loan Agreement could ultimately result in the enforcement of the Underlying Security. The proceeds of any such enforcement may be insufficient to cover the full amount due from the Borrowers resulting in a shortfall in funds available to repay the Bonds.

## Factors which may affect the Borrowers' ability to fulfil their obligations under the Loan Agreements

## A. Risks relating to the Borrowers' Financial Situation

Fire Safety Cost Risk: Following the tragic events at Grenfell Tower in the Royal Borough of Kensington and Chelsea, the Original Borrower completed fire risk assessments on all of the blocks it owns with six storeys or more. In total, the Original Borrower has four properties over 18 metres high and no properties with ACM type cladding.

The Original Borrower spent £1.54 million in the financial year ending 31 March 2021 on fire safety and other health and safety related programmes.

Noting that a budget commitment has not yet been made, the Original Borrower has future plans to carry out remedial works to five of its buildings in order to remove and replace timber cladding and balcony decks and estimate this will cost $£ 0.9$ million over two years.

Full fire risk assessment compliance on other properties is progressing more slowly than expected due to Covid-19. However, as at 30 June 2021, there were no outstanding critical fire actions.

In January 2020 the Secretary of State for Housing, Communities and Local Government announced the introduction of a new building safety regulator, advised owners of all multi-storey and multi-occupied residential buildings to undertake investigations into external wall systems and fire doors, and indicated further testing of the cladding of properties below six storeys and over 11 metres high would be expected.

Any requirements or guidance to be followed in terms of investigations and assessment are expected to have a limited impact on the Original Borrower because the majority of the Original Borrower's properties are low rise. However, if any Borrower was faced with material unforeseen renovation, maintenance and modernisation costs which it could not effectively fund, this could have an adverse impact on its ability to meet its payment obligations under its Loan Agreement and, in turn, the Issuer's ability to meet its payment obligations on a timely basis under the Bonds.

Capital Resources Risk: To mitigate liquidity risk and augment its capital resources, the Original Borrower currently relies on financing through existing bond debt, secured term and revolving credit facilities from major banks and building societies. However, the Original Borrower (and any Additional Borrower) could find itself unable to access sources of financing if bank or building society lines become unavailable to the Original Borrower (or such Additional Borrower) (for example, if banks and building societies are unable to provide new facilities, or extend existing facilities, or are unable to meet commitments to provide funds under existing committed lines) or if a reduction in the Group's credit rating makes the cost of accessing the public and private debt markets prohibitive. This may affect such Borrower's ability to meet its payment obligations under its Loan Agreement and, in turn, the Issuer's ability to meet its obligations under the Bonds.

Pensions Risk: The Original Borrower participates in the Social Housing Pension Scheme (SHPS) administered by TPT Retirement Solutions. Financial Reporting Standard 102 (FRS 102) sets out the accounting standards for defined benefit pensions. Under FRS 102, actuarial valuations by a professional actuary must be obtained at intervals not exceeding three years.

## SHPS

SHPS is a multi-employer, multi-benefit pension scheme, which provides benefits to some 500 nonassociated employers. The last triennial valuation of the scheme (as a whole) for funding purposes was carried out as at 30 September 2017. The triennial valuation results show the market value of the whole scheme's assets as $£ 4,553$ million, with whole scheme liabilities of $£ 6,075$ million, revealing a shortfall of assets compared with the value of liabilities of $£ 1,522$ million.

As at 31 March 2021, on an FRS102 basis, the Original Borrower's overall liability was valued at $£ 11,202,000$. As at 30 September 2019, there were 54 active members, 268 deferred members and 177 pensioners. The total employer contributions that the Original Borrower made to SHPS during the financial year ended 31 March 2021 was $£ 1,458,000$.

SHPS is classified as a 'last-man standing arrangement'. Therefore, the Original Borrower is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from SHPS. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028. Under the Recovery Plan, from 1 April 2019, in addition to employer contributions, the Original Borrower was required to pay annual deficit contributions of $£ 1,287,905$ for the year. These payments increased by 2 per cent. and will continue to increase by 2 per cent. to 1 April 2023, and will increase by 5.5 per cent. a year from April 2023 until March 2028. This annual deficit contribution is required to meet the shortfall within the scheme.

## General points

There may be certain circumstances in which the sponsoring employers of the pension arrangements listed above are required to make good the funding deficit. Certain forms of restructuring of the Original Borrower may result in circumstances in which a funding deficit has to be met. For example, a transfer of engagements or a transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246) could lead to a crystallisation of a net pension liability. However, the Original Borrower always carefully considers the pension implications of restructuring proposals and wherever possible ensures that such restructurings are organised to avoid pension liabilities crystallising.

There is also a risk that the Original Borrower could be required to contribute to pension schemes on the basis that they are parties "connected to" or "associated with" the relevant employers, whether or not they themselves are classified as "employers".

The Pensions Regulator may require certain parties to make contributions to certain pension schemes that have a deficit. A contribution notice could be served on the Original Borrower if it is connected/associated with an employer in a defined benefit scheme and if it was a party to, or knowingly assisted, an act of deliberate failure to act which (i) has detrimentally affected in a material way the likelihood of accrued scheme benefits being received by or in respect of members, unless the Pensions Regulator is satisfied that the Original Borrower has a statutory defence, or (ii) the main purpose or one of the main purposes of which was either (a) 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 (b) to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such debt which would otherwise become due.

A financial support direction could be served on the Original Borrower if it is connected to/associated with an employer in a defined benefit scheme (which could include SHPS) which is a service company or insufficiently resourced. A service company is a group company whose turnover is solely or principally derived from amounts charged for supplying employees to other members of the group. An employer is insufficiently resourced if the value of its resources is less than 50 per cent. of the pension scheme's deficit calculation on an annuity buy-out basis but if the value of the resources of one or more connected/associated persons, when added to the employer's resources, would at least equal 50 per cent. of the estimated employer debt calculated on an annuity buy-out basis. For the resources of more than one connected/associated employer to be taken into account, they must also be connected/associated with each other.

A financial support direction or contribution notice can only be served where the Pensions Regulator considers it is reasonable to do so. If a contribution notice or financial support direction were to be served on the Original Borrower, this could have an adverse impact on the cash flow of the business. If the amount payable under a contribution notice or support direction was material, this could adversely affect its ability to meet its payment obligations on a timely basis under its financing arrangements and an adverse impact on the ability of the Original Borrower to comply with its obligations under its Loan Agreement and, in turn, the ability of the Issuer to meet its obligations under the Bonds.

Disruption due to outbreak of coronavirus (COVID-19): The outbreak, or threatened outbreak, of any severe communicable disease such as COVID-19 (commonly referred to as coronavirus) and regulators' or market fears about the same, may adversely affect the business of the Borrowers. At the date of this Prospectus, the Original Borrower is continuing to monitor the full extent of the outbreak and the impact, if any, on its operations but has taken, and continues to take, preparations and precautions to address the potential impact of the disease on its workforce, residents and tenants, and will continuously monitor the situation to ensure those preparations and precautions are regularly updated as necessary having regard to national scientific and health advice.

A Borrower's profits may decline during any such outbreak and recovery period. Potential causes are as follows:

- increased expenditure on measures to support the wellbeing of customers;
- increased expenditure on repairs should the ability to conduct timely routine maintenance be affected;
- increased recruitment of temporary staff should availability of such Borrower's own employees be impacted by illness or the need to self-isolate;
- reduced levels of rental income should customers' ability to pay their rents on time be impacted, leading to increased rental arrears; should it become more difficult to re-let properties, leading to increased voids; or should it become more difficult to complete construction of new schemes, leading to fewer new units becoming available for sale or for rental; and
- reduced levels of sales income should housing market transactions decline as the result of an outbreak.

If any of these occur, in extremis and without mitigating actions, this may adversely affect the ability of such Borrower to meet its payment obligations under its Loan Agreement, which in turn could affect the ability of the Issuer to comply with its obligations under the Bonds and/or the market value and/or the liquidity of the Bonds in the secondary market.

Risks relating to withdrawal of the UK from the European Union: On 31 December 2020, the UK withdrew from the European Union (the EU). The UK's current relationship with the EU, as regards trade, nuclear operations, and security cooperation, is governed by the European Union (Future Relationship) Act 2020 (EUFRA 2020), which received its Royal Assent on 30 December 2020. As at the date of this Prospectus, it is too early to determine the consequences (if any) of the EUFRA 2020 on the Group's business and whether these could adversely affect the ability of the Borrowers to meet their payment obligations under the Loan Agreements and, in turn, the ability of the Issuer to meet its obligations under the Bonds and/or the market value and/or the liquidity of the Bonds in the secondary market.

## B. Risks Related to the Borrowers' Business Activities and Industry

Change in Government Policy on Rents: By virtue of its investment in, and management of, social housing assets the Original Borrower's business (and business model) is (and each Additional Borrower's business (and business model) is expected to be) highly sensitive to UK Government policy in relation to housing. The Original Borrower's turnover is predominantly social housing letting activity. For the financial year ended 31 March 2021 it represented 81 per cent. of its turnover.

In particular, the Original Borrower is (and any Additional Borrower is expected to be) sensitive to policies impacting either the rent it is able to charge on social housing assets or its ability to recover rents due from residents, such as:
(a) the rate at which social housing rents may index over time, under powers conferred through the Housing and Regeneration Act 2008. Current policy allows rents to index at CPI +1 per cent. for five years from the 2020/21 financial year;
(b) the rate of increase or decrease of the Local Housing Allowance. This is the rate which is used in some cases to determine the maximum level of housing benefit receivable by residents; and
(c) the availability of benefit payments to support residents unable to otherwise pay rents due. As at 31 March 2021, the Original Borrower received around 29 per cent. of its social housing rental income from housing benefit payable by local authorities. If there is a reduction or termination by the UK Government of housing benefit, then this may accordingly have an adverse impact on the payment of rent, as the tenants would have to pay a higher proportion of the rent themselves.

It is possible that the current Covid-19 outbreak (see "Disruption due to outbreak of coronavirus (COVID19)" above) could lead to changes to the UK Government's housing policy. Lower rental income could adversely affect the ability of a Borrower to meet its payment obligations on a timely basis under its Loan Agreement which, in turn, may have an adverse effect on the Issuer's ability to meet its obligations to the Bondholders in respect of the Bonds.

Rental Income Risk: The Original Borrower's turnover depends (and any Additional Borrower's turnover is expected to depend) on its capacity to collect rents due (arrears), and to let properties which are void (voids). Both depend on effective operations, effective working relationships with local nominating boroughs and a sound policy framework. If either arrears or voids increased significantly it could adversely affect the ability of a Borrower to meet its payment obligations on a timely basis under its Loan Agreement.

The Original Borrower has 4,528 known claimants through the Universal Credit system. As at 31 March 2021, the Original Borrower's rent arrears were at 1.9 per cent. The Original Borrower has experienced a small increase in rent arrears in respect of its residents since the start of the Covid-19 outbreak.

Universal Credit is likely to increase transaction costs and the receipt of rental payments by the Borrowers, as landlords, may be delayed by the failure of tenants to apply for Universal Credit and/or regularly pay rent which is due in addition to the housing benefit and/or pass on the housing benefit payments to the landlord. In such circumstances, non-payment, partial payment or any delay in payment of rent could increase rental income arrears and bad debts, and could adversely affect the ability of a Borrower to meet its payment obligations on a timely basis under its Loan Agreement which, in turn, may have an adverse effect on the Issuer's ability to meet its obligations to the Bondholders in respect of the Bonds.

Housing Downturn Risk and Shared Ownership Sale Risk: The Original Borrower has (and an Additional Borrower may have) some exposure to housing market downturn risk through its shared ownership sales, disposals through its asset management strategy and staircasings of shared ownership properties.

In its financial year ended 31 March 2021, the income on first tranche shared ownership sales by the Original Borrower of these assets was £14.2 million compared to total turnover for the year of £106.4 million.

The impact of Covid-19 on the wider economy and employment in areas where the Original Borrower has sales may significantly reduce market confidence and demand as well as reduce sales values.

The exposure to market risk could have an impact on a Borrower's ability to meet its payment obligations under its Loan Agreements and, accordingly, on the Issuer's ability to meet its payment obligations under the Bonds.

Housing Grant Risk: The Original Borrower receives (and Additional Borrowers may receive) grant funding from Homes England, which is used to fund the acquisition and development of housing properties and their components. As at 31 March 2021, the value of grant received in respect of these properties that had not been disposed of was $£ 299.0$ million.

Due to the nature of grant funding, there is a risk that the amount of funding available and the terms of grants will vary. Following approval of a grant there is a risk that Homes England may revise the terms of a grant and reduce entitlement, suspend or cancel any instalment of such a grant. In certain circumstances (including, but not limited to, failure to comply with conditions or a disposal of the property funded by a grant), the grant may be required to be repaid or reused. Any such reduction in, withdrawal of, repayment or re-use of grant funding could adversely impact the future development and/or the financial standing of a Borrower and, accordingly, its ability to make repayment due under its Loan Agreement which, in turn, could adversely affect the Issuer's ability to make payments on the Bonds.

Operational Risk: Operational risks may result from major systems failure or breaches in systems security and the consequences of theft, fraud, health and safety and environmental issues, natural disaster and acts of terrorism. There is an increased cyber security risk due to remote working as a result of Covid-19. These events could result in financial loss to a Borrower and, accordingly, its ability to make repayment due under its Loan Agreement which, in turn, could adversely affect the Issuer's ability to make payments on the Bonds.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as an entity with securities admitted to the Official List and admitted to trading on the London Stock Exchange's regulated market.

Development Risk: Residential property is subject to varying degrees of market and development risk. Market risks include the economic environment and the risk of changes to UK Government regulation, including, but not limited to, regulation relating to planning, taxation, landlords and tenants and welfare benefits which could affect positively and negatively tenant trends in the United Kingdom. Development of existing sites and acquisition of additional sites may be subject to economic and political conditions, the availability of finance facilities and the cost of facilities where interest rates and inflation may also have an effect.

The Original Borrower also depends, and any Additional Borrower will depend, on an extensive network of contracted third party suppliers for its housing development programme. The Borrowers' ability to meet their obligations are in part a function of the capacity and capability of these suppliers.

The development of units will be subject to the risks referred to above. This could have an adverse impact on the Original Borrower's cashflows and therefore its ability to meet its payment obligations under the Loan Agreement which, in turn, could have an adverse impact of the ability of the Issuer to meet its payment obligations under the Bonds.

Permitted Re-organisation Risk: The Loan Agreements permit the Borrowers to undertake Permitted Reorganisations. In such circumstances, the resulting entity's credit risk may change.

## C. Legal and Regulatory Risks

Legal and Compliance Risk and Health and Safety Risk: The Original Borrower knows (and each Additional Borrower is expected to know) the significance to its operations of, and is focused on, adhering to all legal and compliance legislation. The Original Borrower is not currently aware of any material failure to adhere to applicable health and safety or environmental laws, litigation or breach of regulatory laws, or failure to comply with corporate, employee or taxation laws.

The Original Borrower carries out (and each Additional Borrower is expected to carry out) health and safety checks of its properties on an on-going basis, including, but not limited to gas safety checks. Failure to adequately maintain and test gas appliances are safe or repair gas pipework, gas appliances and associated flues, could result in death or injury, destruction or damage to property. The Group has just over 13,383 dwellings that require an annual gas safety check. As at 31 March 2021, 100 per cent. of all properties had a valid gas safety record.

If any Borrower was to fail to comply with such laws and regulations were to occur in the future, this could have an adverse impact on such Borrower's results of its operations.

Litigation claims made against the Original Borrower have not had a material impact on the revenue or business of the Original Borrower, although there can be no assurance that a Borrower will not, in the future, be subject to a claim which may have a material impact upon its revenue or business.

Furthermore, the Original Borrower has (and each Additional Borrower will be expected to have) the benefit of insurance for, among others, employer's liability, public liability and directors' and officers' liability at levels which the management of such Borrower considers to be prudent for the type of business in which such Borrower is engaged and commensurate with Registered Providers of Social Housing of a similar size.

Regulatory Risk: The Original Borrower's housing activities are regulated by the Regulator. The Original Borrower holds scores of "G1" and "V2" for governance and financial viability. Any breach of new or existing regulations could lead to the exercise of the Regulator's statutory powers. Any such intervention by the Regulator in respect of a Borrower may affect the ability of such Borrower to meet its payment obligations under its Loan Agreement, which could in turn affect the ability of the Issuer to meet its payment obligations under the Bonds.

On 17 November, 2020 the Government published "The Charter for Social Housing Residents: Social Housing White Paper" (the White Paper). This document sets out wide-ranging proposals to transform and strengthen the regulatory regime to ensure it holds all Registered Providers to account for the services they deliver, drives good service for tenants and protects economic regulation. Please refer to the section headed "Description of the Regulation and Funding Environment applicable to the Borrowers" below for further details of the measures.

The measures are likely to include increased legislative obligations on the Borrowers in relation to health and safety matters and will also place further reporting obligations on the Borrowers in terms of communications with tenants. It is likely that there will be associated costs for the Borrowers with these measures.

Any breach of the new measures once they are in force could lead to the exercise of the Regulator's statutory powers. As part of the new measures, there is an intention to strengthen the Regulator's enforcement powers to tackle failing Registered Providers. This will include removing the cap on the level of fines the Regulator may charge. Any such intervention by the Regulator in respect of a Borrower may affect the ability of such Borrower to meet its payment obligations under its Loan Agreement, which could in turn affect the ability of the Issuer to meet its payment obligations under the Bonds.

## Factors which are material for the purpose of assessing the market risks associated with the Bonds

Interest rate risk: The Bonds bear interest at a fixed rate and therefore involve the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Redemption prior to maturity: In the event that the Bonds become repayable prior to maturity either following a Loan becoming repayable as a result of a Loan Event of Default (which includes, inter alia, failure by a Borrower to make payments of interest under the relevant Loan Agreement) or an Event of Default (as defined in Condition 12 (Events of Default and Enforcement)) or due to taxation (pursuant to Condition 9.3 (Early Redemption for Tax Reasons)), the Bonds will be redeemed in full at their principal amount, plus accrued interest. In such circumstances it may not be possible for an investor to reinvest the redemption proceeds at an effective rate of interest as high as the interest rate on the Bonds. Furthermore, the optional redemption feature of the Bonds is likely to limit their market value as the market value generally will not rise substantially above the price at which they can be redeemed.

Modification, waivers and substitution:The Conditions of the Bonds and the Bond Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions of the Bonds and the Bond Trust Deed also provide that the Bond Trustee may, without the consent of Bondholders (a) agree to any modification (except as stated in the Bond Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or any Transaction Document or (b) determine without the consent of the Bondholders that any Potential Event of Default or Event of Default shall not be treated as such or (c) agree to the substitution of another registered society or other entity as principal debtor under the Bonds in place of the Issuer, in the circumstances described in the Conditions, provided, in each case, that the Bond Trustee is of the opinion that to do so would not be materially prejudicial to the interests of Bondholders.

Denominations involve integral multiples; definitive Bonds: The Bonds have denominations consisting of a minimum of $£ 100,000$ plus one or more higher integral multiples of $£ 1,000$. It is possible that the Bonds may be traded in amounts that are not integral multiples of $£ 100,000$. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than $£ 100,000$ in his account with the relevant clearing system at the relevant time may not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to $£ 100,000$.

If definitive Bonds are issued, holders should be aware that definitive Bonds which have a denomination that is not an integral multiple of $£ 100,000$ may be illiquid and difficult to trade.

Change in Law: Changes in law may affect the rights of Bondholders as well as the market value of the Bonds. The structure of the issue of the New Bonds is based on English law, regulatory and administrative practice 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, regulatory or administrative practice in the United Kingdom, or to United Kingdom tax law, or the interpretation or administration thereof, or to the published practice of HM Revenue \& Customs as applied in the United Kingdom after the date of this Prospectus. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Bonds, which may have an adverse effect on an investment in the Bonds.

Taxation: Under the Conditions of the Bonds (see Condition 10 (Taxation) below), the Issuer may, but will not be obliged to, gross up payments in respect of the Bonds if any deduction or withholding on account of tax is imposed. In the event that any deduction or withholding on account of tax is imposed and the Issuer does not opt to gross up payments in respect of the Bonds (or, if having previously opted
to gross up notifies the Bond Trustee and the Bondholders of its intention to cease grossing up payments in respect of the Bonds), the Bonds will be redeemed in accordance with Condition 9.3 (Early Redemption for Tax Reasons). In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds. In addition, any amounts in respect of accrued interest which fall due on any such redemption of the Bonds (and, where the redemption follows the next following Interest Payment Date, such Interest Payment Date) shall be paid subject to the required withholding or deduction and the Issuer shall not be obliged to pay any additional amounts in respect thereof. The Bondholders will therefore bear the risk of any such withholding or deduction in respect of the period from the previous Interest Payment Date to the date of redemption.

Each Loan Agreement requires that if any withholding or deduction is required by law to be made by the Borrower thereunder, the amount of the payment due from the relevant Borrower shall be increased to an amount which (after making the tax deduction) leaves an amount equal to the payment which would have been due if no tax deduction had been required.

For a description of the current United Kingdom law and practice relating to withholding tax treatment of the Bonds, see below in "Taxation".

Exchange rate risks and exchange controls: The Issuer pays and will pay principal and interest on the Bonds in Sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the Investor's Currency) other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling 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 Sterling would decrease (a) the Investor's Currency-equivalent yield on the Bonds, (b) the Investor's Currency-equivalent value of the principal payable on the Bonds and (c) the Investor's Currency-equivalent market value of the 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.

## Risks Relating to the Security of the Bonds

Considerations relating to the Issuer Security and the Underlying Security: The validity of any Underlying Security given by the Borrowers in connection with additions and substitutions of Mortgaged Properties may depend on the solvency of the relevant Borrower at the time of the grant. If any Underlying Security is found to be invalid as a result, this will affect the amounts available to Bondholders in the event of a default under the Bonds.

Environmental Considerations: Under relevant UK environmental legislation, liability for environmental matters can be imposed on the "owner" or any "person in control" of land. The term "owner" is not specifically defined and could include anyone with a proprietary interest in a property, which could include a representative of a trustee as a mortgagee in possession (in respect of which see the risk factor entitled "Mortgagee in Possession Liability" below). Environmental laws may impose liability on the owner for clean-up costs if a property is or becomes contaminated. The Borrowers may therefore be liable for the entire amount of the clean-up and redemption costs for a contaminated site regardless of whether the contamination was caused by them or not. These costs may be significant and may affect the ability of the Borrowers to meet their payment obligations under the Loan Agreements and, in turn, the ability of the Issuer to meet its payment obligations under the Bonds.

In addition, the presence of hazardous or toxic substances, or the failure to adequately remedy adverse environmental conditions at a Mortgaged Property, may adversely affect the market value of the

Mortgaged Property, as well as the Borrowers' ability to sell, lease or refinance the Mortgaged Property. Any environmental liability imposed on a Borrower could also affect the ability of the relevant Borrower to meet its payment obligations under its Loan Agreement Agreements and, in turn, the ability of the Issuer to meet its payment obligations under the Bonds.

Sufficiency of Insurance: Although each Mortgaged Property is required to be insured at appropriate levels and against customary risks, there can be no assurance that any loss incurred will be of a type covered by such insurance, nor can there be any assurance that the loss will not exceed the limits of such insurance. Any reduction in income or any loss or damage caused to a Mortgaged Property not adequately covered by insurance could result in a shortfall in funds available to meet the Borrowers' payment obligations under the Loan Agreements and, in turn, the ability of the Issuer to meet its payment obligations under the Bonds.

Investment of Retained Proceeds in Permitted Investments: For so long as any part of the net proceeds of the issue of the Bonds remains undrawn pursuant to the Loan Agreements, the Issuer may invest such amounts in Permitted Investments in accordance with the Custody Agreement. The Issuer may also invest the Charged Cash in Permitted Investments in accordance with the Custody Agreement.

Although Permitted Investments are limited to highly rated securities which satisfy certain specified criteria (which, other than with respect to any investment in money market funds, deposits or direct obligations of the United Kingdom or of any agency or instrumentality of the United Kingdom which are guaranteed by the United Kingdom (which must have a maturity date of no later than 31 October 2044), includes a requirement that the investments have a maturity date which is no later than the earlier of (i) the date falling 5 years after the date of purchase and (ii) 31 October 2044), the Issuer may be required to liquidate such Permitted Investments (a) prior to the enforcement of the Issuer Security, (in the case of the Permitted Investments purchased with Retained Proceeds) to fund advances to a Borrower pursuant to a Loan Agreement or to fund redemptions of the Bonds in accordance with the Conditions or (b) following the enforcement of the Issuer Security, to make payments in accordance with the Postenforcement Priority of Payment, in either case at a time when the disposal proceeds of such Permitted Investments is less than the price paid by the Issuer upon the acquisition thereof.

Prior to the enforcement of the Issuer Security, any losses realised by the Issuer in respect of a sale of Permitted Investments purchased with Retained Proceeds is passed on to the Borrowers pursuant to the terms of the Loan Agreements as a result of (i) the Issuer's obligation to fund a principal amount of an advance being such that it may be satisfied by funding such advance at a discount in proportion to any such losses and (ii) each Borrower's obligation to make further payments to the Issuer in respect of any prepayment of the loan in full to enable the Issuer to fund any shortfall on a redemption of the Bonds. However, following the enforcement of the Issuer Security, any losses in respect of the Permitted Investments will reduce the amounts available to the Issuer to satisfy its payment obligations in respect of the Bonds. For the purpose of calculating the Borrowers' compliance with the Asset Cover Test, the value of such Permitted Investments will be the purchase price thereof and the Borrowers shall not be required to monitor the market value of such Permitted Investments. Consequently, the value attributed to the Permitted Investments for this purpose may be more than the realisable value from time to time.

In the event that the enforcement of the Issuer Security takes place prior to Properties being charged with an aggregate Minimum Value equal to the principal amount of the Bonds, and/or at a time when the Permitted Investments have been acquired with the disposal proceeds or otherwise charged by a Borrower as security, the value of the proceeds of enforcement of the Underlying Security, together with such amounts, may be insufficient to enable the Issuer to pay its obligations under the Bonds in full.

Addition of new Borrowers: To the extent that the Issuer is able to make further advances to the Borrowers under the Loan Agreements in respect of Retained Proceeds or following a further issue of bonds, further members of the Original Borrower Group may become Additional Borrowers, provided
that (a) such new borrower is charitable and a Registered Provider of Social Housing, (b) such member has entered into a Loan Agreement and acceded to the Security Trust Deed (c) such member has entered into a legal mortgage in substantially the form set out in the existing Security Trust Deed (together with such security documents as it is required to enter into pursuant to such legal mortgage), and (d) certain other conditions precedent are complied with in accordance with the terms of the Security Trust Deed.

In such circumstances, if the new Borrower's credit risk were weaker than that of the rest of the existing Borrowers, the Issuer would become subject to increased credit risk in respect of the Original Borrower Group.

The Issuer's ability to meet its obligations under the Bonds after enforcement under the Loan: Following default by a Borrower, the Security Trustee shall be entitled to call for payments of any unpaid sums by such Borrower to be made by one or more of the other Borrowers (if any) under and in accordance with the guarantee given by such other Borrowers pursuant to their respective Loan Agreements (subject to the limitations of each guarantee). If there are no other Borrowers or the other Borrowers do not make payment (or are not required to make payment as a result of the limitation of the relevant guarantee) of such amounts to the Issuer pursuant to their respective Loan Agreements, the Security Trustee may enforce the Underlying Security and appoint a Receiver pursuant to its powers under the Security Trust Deed.

The Issuer's ability to continue to pay principal and interest on the Bonds following default by a Borrower under a Loan is dependent upon the ability of the Issuer to receive from the Security Trustee pursuant to the collection of rental income or a disposal of the Underlying Security, sufficient funds to make such payment.

English law security and insolvency considerations: In certain circumstances, including the occurrence of certain insolvency (or certain pre-insolvency) events in respect of the Issuer, the ability to realise the Issuer Security may be delayed and/or the value of the Issuer Security impaired. In particular, it should be noted that significant changes to the UK insolvency regime have been enacted under the Corporate Insolvency and Governance Act 2020 which received Royal Assent on 25 June 2020 and came into effect on 26 June 2020. The changes include, among other things: (i) the introduction of a new moratorium regime that certain eligible companies can obtain which will prevent creditors taking certain action against the company for a specified period; (ii) a ban on operation of or exercise of ipso facto clauses preventing (subject to exemptions) termination, variation or exercise of other rights under a contract due to a counterparty entering into certain insolvency or restructuring procedures; and (iii) a new compromise or arrangement under Part 26A of the Companies Act 2006 (the Restructuring Plan) that provides for ways of imposing a restructuring on creditors and/or shareholders without their consent (so-called cross-class cram-down procedure), subject to certain conditions being met and with a court adjudicating on the fairness of the restructuring proposal as a whole in determining whether or not to exercise its discretionary power to sanction the Restructuring Plan.

There is no guidance on how the new legislation will be interpreted and there is no assurance as to the application of the new regime to the Issuer (in particular, whether the Issuer will be exempt from the application of the new moratorium regime and the ban on ipso facto clauses).

Additionally, the Secretary of State may by regulations modify the exceptions. For the purposes of the Restructuring Plan, the Secretary of State may by regulations provide for exclusion of certain companies providing financial services and the UK government has expressly provided for changes to the Restructuring Plan to be effected through secondary legislation, particularly in relation to the cross-class cram-down procedure. It is therefore possible that aspects of the legislation may change.

No assurance can be given that any application of the new insolvency reforms referred to above and modification of the exceptions from the application of the new insolvency reforms referred to above will not be detrimental to the interests of the Bondholders and there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency or pre-insolvency restructuring proceedings and/or that the Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency laws or the laws affecting the creditors' rights generally).

Fixed charges may take effect under English law as floating charges: Pursuant to the Issuer Security Deed, the Issuer has purported to grant fixed charges over, amongst other things, all rights and benefits under the Transaction Account, the Ongoing Cash Security Account and the Initial Cash Security Account. English law relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than assignment of security) may take effect under English law only as floating charges if, for example, it is determined that the Bond Trustee does not exert sufficient control over the charged assets for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges, then the claims of the Bond Trustee will be subject to claims which are given priority over a floating charge by law, including, amongst other things, prior charges, certain subsequent charges, the expenses of any winding up or administration and the claims of preferential creditors. Consequently, there may be less moneys available to pay Bondholders what is owed to them under the Bonds.

Mortgagee in Possession Liability: There is a risk that the Security Trustee may be deemed to be a mortgagee in possession if it physically enters into possession of a Mortgaged Property or performs an act of control or influence which may amount to possession, such as submitting a demand direct to tenants requiring them to pay rents to the Security Trustee. In such circumstances the Security Trustee may incur further costs and expenses which will be recoverable by it from the enforcement proceeds prior to any payment being made to Issuer, thereby reducing the amounts available to the Issuer to pay amounts owing under the Bonds.

Moratorium and housing administration: The Security Trustee must notify the Regulator of its intention to enforce its security and cannot enforce its security during the resulting moratorium without the consent of the Regulator. This may adversely affect the Security Trustee's ability to enforce the security over the Mortgaged Properties.

The Security Trustee's ability to enforce the security over the Mortgaged Properties may also be adversely affected for so long as any housing administration order is in place in respect of the Borrower and a housing administration is in effect in relation to the Borrower could result in a housing administrator disposing of Mortgaged Property at a time when proceeds are not sufficient to discharge the Issuer's obligations under the Bonds.

## Risks Relating to the Market Generally

Potential Limited Liquidity: The New Bonds may not have an established market when issued. There can be no assurance of a secondary market for the New Bonds or the continued liquidity of such market if one develops. The development or continued liquidity of any secondary market for the New Bonds will be affected by a number of factors such as the state of credit markets in general and the Borrowers' creditworthiness, as well as other factors such as the time remaining to the maturity of the Bonds.

## Credit ratings may not reflect all risks

The Original Borrower is currently rated "A3" by Moody's and it is expected that the New Bonds will be rated "A3" by Moody's. This rating may not reflect the potential impact of all risks related to the structure, market and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the assigning rating agency at any time.

As at the date of this Prospectus, Moody's is established in the UK and is registered under the UK CRA Regulation. As such, Moody's is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. As at the date of this Prospectus, Moody's is not established in the EU nor has it applied for registration with the CRA Regulation. However, the rating issued by Moody's has been endorsed by Moody's Deutschland GmbH in accordance with the CRA Regulation.

In general, European and UK regulated investors are restricted under the CRA Regulation and the UK CRA Regulation, respectively, from using credit ratings for regulatory purposes, unless such ratings are issued by (or endorsed by) a credit rating agency established, as applicable, in the EU or the UK and registered under, as applicable, the CRA Regulation or the UK CRA Regulation (and such registration has not been withdrawn or suspended). If the status of Moody's and/or Moody's Deutschland GmbH changes, European and UK regulated investors may no longer be able to use the rating for regulatory purposes and the Bonds may have a different regulatory treatment. This may result in European and UK regulated investors, as applicable, selling Bonds held by them which may have an impact on the value of the Bonds in the secondary market.

## Conditions of the New Bonds

The following are the Conditions of the New Bonds which will be endorsed on each New Bond in definitive form (if issued).

The $£ 200,000,0004.125$ per cent. Secured Bonds due 2044 (the New Bonds, and together with the Original Bonds (as defined below), the Bonds which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 19 (Further Issues) and forming a single series with the Bonds) of Yorkshire Housing Finance plc (the Issuer) are constituted by a Supplemental Bond Trust Deed 7 October 2021 (as modified and/or amended and/or supplemented and/or restated from time to time, the Supplemental Bond Trust Deed) and made between the Issuer and Prudential Trustee Company Limited (the Bond Trustee, which expression shall include any successor as Bond Trustee) as trustee for the holders of the Bonds (the Bondholders) and the holders of the interest coupons appertaining to the Bonds (the Couponholders and the Coupons respectively, which expressions shall, unless the context otherwise requires, include the talons for further interest coupons (the Talons) and the holders of the Talons). The Supplemental Bond Trust Deed is supplemental to the Bond Trust Deed dated 31 October 2014 (as modified and/or amended and/or supplemented and/or restated from time to time, the Original Bond Trust Deed and, together with the Supplemental Bond Trust Deed, the Bond Trust Deed) made between the same parties and constituting the $£ 200,000,0004.125$ per cent. Secured Bonds due 2044 (the Original Bonds) issued by the Issuer on 31 October 2014. The New Bonds are consolidated and form a single series, and rank pari passu, with the Original Bonds.

The Bonds have the benefit of a paying agency agreement dated 31 October 2014 (as supplemented on 7 October 2021 and as further modified and/or amended and/or supplemented and/or restated from time to time, the Agency Agreement) and made between the Issuer, the Bond Trustee, Citibank, N.A., London Branch as principal paying agent (the Principal Paying Agent, which expression shall include any successor 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 and together with the Principal Paying Agent, the Agents).

Copies of the Bond Trust Deed, the Agency Agreement, the Loan Agreements, the Legal Mortgages, the Accession Deed and the Security Trust Deed are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being at the date of the issue of the New Bonds at 10 Fenchurch Avenue, London EC3M 5AG and at the specified office of each of the Paying Agents. The Bondholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Bond Trust Deed and the Agency Agreement. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Bond Trust Deed, which includes the form of the Bonds, and/or the Agency Agreement.

## 1 Definitions

Words and expressions defined in the Bond Trust Deed or the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated.

In these Conditions:

Accession Deed means the Accession Deed dated 31 October 2014 relating to the Security Trust Deed and made between the Issuer, the Original Borrower and the Security Trustee;

Account Agreement means the Account Agreement dated 31 October 2014 and made between the Issuer, the Bond Trustee and the Account Bank, as supplemented on 7 October 2021 and as further amended and/or supplemented and/or restated from time to time;

Account Bank means Citibank, N.A., London Branch as account bank pursuant to the Account Agreement or any successor account bank appointed thereunder;

Accounting Profit means, in respect of each accounting period of the Issuer, the aggregate amount which the Issuer would be required to recognise for corporation tax purposes as profit in respect of its Permitted Investments and/or Retained Bonds as a result of (i) the movement in the fair value recognised in its accounts of such Permitted Investments and/or Retained Bonds for that accounting period and plus (ii) any further profit arising from the sale of Permitted Investments (ignoring, for this purpose, any Gift Aid Payment to be made pursuant to a Loan Agreement);

Additional Borrower means any entity which (i) is charitable; (ii) is a Registered Provider of Social Housing; and (iii) has acceded to the Security Trust Deed as a Borrower;

Additional Loan Agreement means a loan agreement between the Issuer, an Additional Borrower and the Security Trustee;

Appointee means any attorney, manager, agent, delegate, nominee, custodian, receiver, cotrustee or other person appointed by the Bond Trustee under, or pursuant to, these Conditions, the Bond Trust Deed or the Issuer Security Deed;

Asset Cover Test has the meaning given to it in the Loan Agreements;

Bondholder Put Amount has the meaning given to it in Condition 9.10 (Bondholder Put Option);

Bondholder Put Option means the option for Bondholders to require the Issuer to procure that a member of the Original Borrower Group purchases their Bonds following (i) a breach of the Interest Cover Test or (ii) the Issuer agreeing with a Borrower to increase its Commitment, following another Borrower ceasing to be a Registered Provider of Social Housing, as described in Condition 9.10 (Bondholder Put Option);

Bondholder Specific Withholding means any withholding or deduction of Taxes which is required in respect of any payment in respect of any Bond or Coupon:
(a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Bond or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond or Coupon; or
(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
(c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union; or
(d) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Day (as defined in Condition 8.5 (Payment Day));

Borrowers means the Original Borrower and any Additional Borrower, in each case for so long as it is a borrower under a Loan Agreement;

Business Day means, for the purposes of Condition 9 (Redemption and Purchase), a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business in London;

Cancelled Retained Proceeds means, in respect of any Bonds purchased by a Borrower or any other member of the Original Borrower Group which have been surrendered to the Issuer for cancellation (other than, for the avoidance of doubt, any cancellation of Retained Bonds by the Issuer), a portion of the Retained Proceeds corresponding to the percentage of the Undrawn Commitment which has been cancelled, in accordance with the relevant Loan Agreement, pursuant to the surrender for cancellation of such Bonds;

Charged Cash means, at any time, the aggregate of all amounts (whether representing proceeds of disposal or other moneys) standing to the credit of the Ongoing Cash Security Account and, to the extent invested in Permitted Investments in accordance with the Custody Agreement, such Permitted Investments and any income received by the Issuer in respect of such Permitted Investments, provided however that, for the purpose of determining the compliance of the Borrowers with the Asset Cover Test, the value to be attributed to such Permitted Investments shall be the purchase price thereof;

Charitable Group Member means the Original Borrower and any charitable member of the Original Borrower Group which is connected with the Original Borrower for the purposes of section 939G of the Corporation Tax Act 2010;

Commitment means the Original Commitment and any further commitment entered into by the Issuer in relation to the making of further Loans to one or more Borrowers;

Compliance Certificate means a certificate, signed by two authorised signatories of a Borrower, substantially in the form contained in the Loan Agreements setting out, inter alia, calculations in respect of the Asset Cover Test and the Interest Cover Test;

Custodian means Citibank, N.A., London Branch as custodian pursuant to the Custody Agreement or any successor custodian appointed thereunder;

Custody Account means the account of the Issuer set up with the Custodian in respect of the Permitted Investments in accordance with the Custody Agreement;

Custody Agreement means the Custody Agreement dated 31 October 2014 and made between the Issuer, the Bond Trustee and the Custodian, as supplemented on 25 May 2021 and 7 October 2021 and as further amended and/or supplemented and/or restated from time to time;

Event of Default has the meaning given to it in Condition 12.1 (Events of Default);

Finance Documents means:
(a) the Loan Agreements;
(b) each Security Document; and
(c) any other document designated as such by the Issuer and the Borrower;

Fitch means Fitch Ratings Ltd or any successor thereto;

Gift Aid Payment means a qualifying charitable donation for the purposes of Part 6 of the Corporation Tax Act 2010;

Incorporated Terms Memorandum means the incorporated terms memorandum dated 31 October 2014 and made between, inter alios, the Issuer, and the Bond Trustee, as supplemented on 7 October 2021 and as further amended and/or supplemented and/or restated from time to time;

Initial Cash Security Account means the account of the Issuer set up with the Account Bank in respect of the Retained Proceeds in accordance with the Account Agreement;

Interest Cover Test has the meaning given to it in the Loan Agreements;

Interest Payment Date has the meaning given to it in Condition 7.1 (Interest Rate and Interest Payment Dates);

Issuer Charged Property has the meaning given to it in Condition 4 (Security);
Issuer Secured Creditors means the Bond Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in the Issuer Security Deed, the Bondholders, the Paying Agents, the Custodian, the Retained Bond Custodian and the Account Bank;

Issuer Security has the meaning given to it in Condition 4 (Security);

Issuer Security Deed means the security deed dated 31 October 2014 and entered into by the Issuer in favour of the Bond Trustee, constituting the Issuer Security;

Legal Mortgages means (a) the Legal Mortgage dated 31 October 2014 and made between the Original Borrower and the Security Trustee pursuant to which the Original Borrower provides security in respect of its obligations under the Loan Agreement and (b) any additional legal mortgage entered into between a Borrower and the Security Trustee pursuant to which the relevant Borrower provides security in respect of its obligations under a Loan Agreement;

Liabilities means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings, indemnity payments or other liabilities whatsoever including legal fees and any Taxes and penalties incurred by that person;

Loan means a loan made by the Issuer to a Borrower pursuant to the terms of a Loan Agreement;

Loan Agreements means the Original Loan Agreement and each Additional Loan Agreement;
Loan Event of Default has the meaning given to it in the Loan Agreements;

Loan Payment Day means a day on which principal or interest in respect of a Loan is due and payable by a Borrower to the Issuer in accordance with the terms of a Loan Agreement;

Maturity Date means 31 October 2044;

Moody's means Moody's Investors Service Limited or any successor thereto;

New Bond Issue Date means 7 October 2021;

New Retained Bonds means the $£ 200,000,000$ in principal amount of the New Bonds purchased by the Issuer on the New Bond Issue Date;

Ongoing Cash Security Account means the account of the Issuer set up with the Account Bank in respect of the Charged Cash in accordance with the Account Agreement;

Original Borrower means Yorkshire Housing Limited (formerly known as Yorkshire Community Housing Limited);

Original Borrower Group means the Original Borrower and any present or future, direct or indirect, Subsidiaries of the Original Borrower (which includes, for the avoidance of doubt, any entity with which any Borrower may merge or be consolidated or amalgamated with at any time including as a result of a Permitted Reorganisation);

Original Commitment has the meaning given to it in the Original Loan Agreement;

Original Loan Agreement means the loan agreement dated 31 October 2014 between the Issuer, the Original Borrower and the Security Trustee, as supplemented on 24 June 2021 and 7 October 2021;

Original Issue Date means the issue date of the Original Bonds, being 31 October 2014;

Original Retained Bonds means the $£ 60,000,000$ in principal amount of the Original Bonds purchased by the Issuer on the Original Issue Date;

Permitted Investments means one or more of the following obligations or securities (including, without limitation, any investments for which the Custodian or an affiliate provides services):
(a) deposits with any United Kingdom bank or building society subject to such bank or building society having long term senior unsecured debt credit ratings of not less than "A" from S\&P, "A" from Fitch or "A2" from Moody's;
(b) deposits with any non-United Kingdom bank subject to such bank having long term senior unsecured debt credit ratings of not less than "AA" from S\&P or "Aa2" from Moody's;
(c) full recourse debt instruments with a maturity no later than the earlier of (i) the date falling 5 years after the date of purchase and (ii) 31 October 2044 that are issued by EU credit institutions having long term senior unsecured debt credit ratings of not less than "AAA" from S\&P or "Aaa" from Moody's that are fully secured or "covered" by a pool of on-balance sheet collateral;
(d) securities with a maturity no later than the earlier of (i) the date falling 5 years after the date of purchase and (ii) 31 October 2044 that are issued by supranational agencies having long term senior unsecured debt credit ratings of not less than "AAA" from S\&P or "Aaa" from Moody's;
(e) money market funds having long term senior unsecured debt credit ratings of not less than "AAAm" from S\&P, "Aaa-mf" from Moody's or "AAAmmf" from Fitch; and
(f) direct obligations of the United Kingdom or of any agency or instrumentality of the United Kingdom which are guaranteed by the United Kingdom with a maturity no later than the 31 October 2044, provided that (i) in all cases, such investment shall be an investment which is denominated in Sterling and (ii) in the case of (a) to (e), no more
than $£ 20,000,000$ shall be deposited with any one institution or invested in any one security;

Permitted Investment Profit means, in respect of any sale of Permitted Investments, the amount of any net profits or gains arising from such sale which are within the charge to corporation tax (if any);

Permitted Reorganisation means any amalgamation, merger, consolidation or transfer of engagements (whether entering into or acceptance thereof) of the whole of a Borrower's property (including, for the avoidance of doubt, any statutory procedure as provided for under the Cooperative and Community Benefit Societies Act 2014) made between such Borrower (Party A) and any other entity (Party B) provided that (i) any new amalgamated entity to be created as a result thereof will be a Registered Provider of Social Housing; (ii) following any such amalgamation, merger, consolidation or transfer of engagements in respect of which the property of Party A (including, for the avoidance of doubt, any liabilities) shall become vested in Party B or a new amalgamated entity, Party B or such new amalgamated entity will thereafter be responsible for all the liabilities of Party A pursuant to the Co-operative and Community Benefit Societies Act 2014; and (iii) a certificate executed by two authorised signatories of Party A or Party B confirming the above is provided to the Bond Trustee;

Potential Event of Default means any act, event or circumstance which with the expiry of a grace period, the giving of notice, determination of materiality or other determination would constitute an Event of Default;

Put Option Date has the meaning given to it in Condition 9.10 (Bondholder Put Option);

Registered Provider of Social Housing means a person listed in the register of providers of social housing established under Chapter 3 of Part 2 of the Housing and Regeneration Act 2008 (as amended from time to time) or a person having a status which, in the opinion of the Issuer and the Bond Trustee, is substantially equivalent under any replacement or successor legislation thereto;

Relevant Date means, in respect of any payment, the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Bond Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders in accordance with Condition 15 (Notices);

Relevant Jurisdiction means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Bonds or Coupons;

Retained Bond Custodian means Citibank, N.A., London Branch as custodian pursuant to the Retained Bond Custody Agreement or any successor custodian appointed thereunder;

Retained Bond Custody Agreement means the custody agreement relating to the Retained Bonds dated 31 October 2014 and made between the Issuer, the Bond Trustee and the Retained Bond Custodian, as supplemented on 7 October 2021 and as further amended and/or supplemented and/or restated from time to time;

Retained Bond Premium Amount means, in respect of any sale by the Issuer of Retained Bonds, the amount of any net profits or gains arising from such sale which are within the charge to corporation tax (if any);

Retained Bonds means the Original Retained Bonds and the New Retained Bonds;
"Retained Proceeds means, at any time, (a) an amount of the net issue proceeds of the Bonds (other than the Retained Bonds) which have not been advanced to a Borrower pursuant to a Loan Agreement at such time (if any) plus (b) an amount of the net sale proceeds of the Retained Bonds (less any Retained Bond Premium Amount) which are not advanced to a Borrower pursuant to a Loan Agreement immediately following receipt thereof by the Issuer and have not subsequently been advanced to the Borrower (if any);

Security Adjustment Certificate means a certificate, signed by two authorised signatories of a Borrower, substantially in the form contained in the Loan Agreements setting out, inter alia, a summary of the additions, withdrawals and substitutions of properties which have taken place during the preceding financial year;

Security Documents means (a) the Legal Mortgages, (b) the Accession Deed, (c) the Security Trust Deed and (d) any other document creating, evidencing or granting any guarantee or security in support of the obligations of the Borrowers under the Finance Documents;

Security Trust Deed means the Security Trust Deed originally dated 5 November 1999 between, inter alios, the Original Borrower and the Security Trustee (as may be amended and/or supplemented and/or restated from time to time);

Security Trustee means Prudential Trustee Company Limited as security trustee under the Security Trust Deed for, inter alios, the Issuer;

Subsidiary has the meaning given to that term in section 271 of the Housing and Regeneration Act 2008 or section 1159 of the Companies Act 2006, as applicable;

S\&P means Standard \& Poor's Ratings Services or any successor thereto;

Taxes has the meaning given to it in Condition 10.1 (Payments without withholding);

Transaction Account means the account of the Issuer set up with the Account Bank in respect of the Bonds in accordance with the Account Agreement;

Transaction Documents means the Loan Agreements, the Bond Trust Deed, the Issuer Security Deed, the Accession Deed, the Legal Mortgages, the Security Trust Deed, the Agency Agreement, the Account Agreement, the Custody Agreement, the Incorporated Terms Memorandum and the Retained Bond Custody Agreement;

Transaction Parties means any person who is party to a Transaction Document;

UK Government Gilt means Sterling denominated gilts or stock issued by or on behalf of Her Majesty's Treasury;

Undrawn Commitment means, at any time, a Commitment which has not been advanced to the relevant Borrower or previously cancelled pursuant to a Loan Agreement;

Valuation Report has the meaning given to it in the Loan Agreements; and

Valuer has the meaning given to it in the Loan Agreements.

## Form, Denomination and Title

The Bonds are in bearer form, serially numbered, in the denomination of $£ 100,000$ and integral multiples of $£ 1,000$ in excess thereof up to and including $£ 199,000$, with Coupons and Talons attached on issue. No Bonds will be issued with a denomination above £199,000.

Title to the Bonds and Coupons will pass by delivery. The Issuer, any Paying Agent and the Bond Trustee will (except as otherwise required by law) deem and treat the bearer of any Bond or Coupon 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.

## 3 Status

The Bonds and Coupons are direct obligations of the Issuer, secured in the manner set out in Condition 4 (Security), and rank pari passu without preference or priority amongst themselves.

## Security

The Issuer's obligations in respect of the Bonds are secured (subject as provided in these Conditions and the Issuer Security Deed) pursuant to the Issuer Security Deed in favour of the Bond Trustee for the benefit of itself and the Bondholders and the other Issuer Secured Creditors as follows:
(a) by an assignment by way of security of the Issuer's rights, title and interest arising under the Loan Agreements, the Security Trust Deed, the Accession Deed, the Legal Mortgages, the Agency Agreement, the Custody Agreement and the Account Agreement;
(b) by a charge by way of first fixed charge over all moneys and/or securities from time to time standing to the credit of the Transaction Account, the Ongoing Cash Security Account, the Initial Cash Security Account and the Custody Account and all debts represented thereby; and
(c) by a charge by way of first fixed charge over the Paying Agents' obligation to repay to the Issuer all sums held from time to time by the Paying Agents for the payment of principal or interest in respect of the Bonds and not otherwise claimed.

The property charged and assigned pursuant to the Issuer Security Deed listed in (a) to (c) above, together with any other property or assets held by and/or assigned to the Bond Trustee and/or any deed or document supplemental thereto, is referred to herein as the Issuer Charged Property and the security created thereby, the Issuer Security.

The Issuer Security shall become enforceable:
(i) upon the delivery of an Acceleration Notice in accordance with Condition 12 (Events of Default and Enforcement); or
(ii) if a person who is entitled to do so presents an application to the court for the appointment of an administrator of the Issuer, gives notice of intention to appoint an administrator of the Issuer or files such notice with the court.

### 5.1 Pre-enforcement

Prior to the enforcement of the Issuer Security, the Issuer shall apply the moneys standing to the credit of the Transaction Account on each Interest Payment Date and such other dates on which a payment is due in respect of the Bonds in the following order of priority (the Preenforcement Priority of Payment):
(a) first, in payment of any taxes due and owing by the Issuer to any taxing authority (insofar as they relate to the Bonds);
(b) second, in payment of any Liabilities incurred by the Bond Trustee and any Appointee (including remuneration payable to it and any Appointee) in carrying out its functions under the Bond Trust Deed and the Issuer Security Deed;
(c) third, in payment of any unpaid fees, expenses and liabilities of the Issuer owing to the Paying Agents under the Agency Agreement, the Account Bank under the Account Agreement, the Custodian under the Custody Agreement and the Retained Bond Custodian under the Retained Bond Custody Agreement on a pro rata and pari passu basis;
(d) fourth, in payment of any other unpaid fees, expenses and liabilities of the Issuer (in so far as they relate to the Bonds) on a pro rata and pari passu basis;
(e) fifth, in payment, on a pro rata and pari passu basis, to the Bondholders of any interest due and payable in respect of the Bonds;
(f) sixth, in payment, on a pro rata and pari passu basis, to the Bondholders of any principal due and payable in respect of the Bonds;
(g) seventh, in payment, on a pro rata and pari passu basis, to the Borrowers of any amounts due and payable under the terms of the Loan Agreements; and
(h) eighth, in payment of any Permitted Investment Profit, Accounting Profit or Retained Bond Premium Amount, as the case may be, to any Charitable Group Member.

### 5.2 Post-enforcement

Following the enforcement of the Issuer Security, all moneys standing to the credit of the Transaction Account, the Ongoing Cash Security Account and the Initial Cash Security Account and the net proceeds of enforcement of the Issuer Security shall be applied in the following order of priority (the Post-enforcement Priority of Payment):
(a) first, in payment or satisfaction of the Liabilities incurred by the Bond Trustee or any Receiver or Appointee in preparing and executing the trusts under the Bond Trust Deed and the Issuer Security Deed (including the costs of realising any Issuer Security and the Bond Trustee's and such Appointee's remuneration);
(b) second, in payment of all amounts owing to the Paying Agents under the Agency Agreement, the Account Bank under the Account Agreement, the Custodian under the Custody Agreement and the Retained Bond Custodian under the Retained Bond Custody Agreement on a pro rata and pari passu basis;
(c) third, in payment, on a pro rata and pari passu basis, to the Bondholders of any interest due and payable in respect of the Bonds;
(d) fourth, in payment, on a pro rata and pari passu basis, to the Bondholders of any principal due and payable in respect of the Bonds;
(e) fifth, in payment of any other unpaid fees and expenses of the Issuer (in each case insofar as they relate to the Bonds) on a pro rata and pari passu basis;
(f) sixth, in payment, on a pro rata and pari passu basis, to the Borrowers of any amounts due and payable under the terms of the Loan Agreements; and
(g) seventh, in payment of any Permitted Investment Profit, Accounting Profit or Retained Bond Premium Amount, as the case may be, to any Charitable Group Member.

## 6

Covenants

### 6.1 General Covenants

In addition to the covenants of the Issuer set out in the Bond Trust Deed, for so long as any of the Bonds remain outstanding, the Issuer covenants that it will not, without the consent in writing of the Bond Trustee, engage in any activity or do anything other than:
(a) carry out the business of a company which has as its purpose raising finance and onlending such finance for the benefit of the Borrowers (including, without limitation, as envisaged by the Transaction Documents); and
(b) perform any act incidental to or necessary in connection with (a) above.

The Issuer also covenants, for so long as any of the Bonds remain outstanding, not to create or permit to subsist, over any of the security constituted by or created pursuant to the Issuer Security Deed, any mortgage or charge or any other security interest ranking in priority to, or pari passu with, the security created by or pursuant to the Issuer Security Deed.

### 6.2 Information Covenants

For so long as any of the Bonds remain outstanding, the Issuer shall:
(a) send to the Bond Trustee and, upon request by any Bondholder to the Issuer, make available to such Bondholder at the Issuer's registered office during normal business hours, a copy of the Compliance Certificates (and, subject to the consent of the relevant Valuer(s), the Valuation Report(s) delivered for the purpose of preparing such Compliance Certificates) and the Security Adjustment Certificates promptly upon receipt of the same from the Borrowers pursuant to the terms of the Loan Agreements;
(b) send to the Bond Trustee and, upon request by any Bondholder to the Issuer, make available to such Bondholder at the Issuer's registered office during normal business hours, a copy of the audited financial statements of each Borrower promptly upon publication of the same by the Borrowers;
(c) at the request of Bondholders holding not less than 50 per cent. in principal amount of the Bonds for the time being outstanding, convene a meeting of the Bondholders to discuss the financial position of the Issuer and the Original Borrower Group, provided, however, that the Issuer shall not be required to convene any such meeting pursuant to
this Condition 6.2(c) more than once in any calendar year. Upon the request of Bondholders to convene any such meeting, as aforesaid, the Issuer shall notify all Bondholders of the date (which such date shall be no more than 21 days following such request), time and place of the meeting in accordance with Condition 15 (Notices). The Issuer shall act in good faith in addressing any questions regarding the financial position of itself or any other member of the Original Borrower Group raised at any such meeting, provided, however, that the Issuer shall not be obliged to disclose any information which it, in its absolute discretion, considers to be of a confidential nature. For the avoidance of doubt, the provisions of this Condition 6.2(c) are in addition to the meetings provisions set out in Condition 17 (Meetings of Bondholders, Modification and Waiver); and
(d) at any time (if so instructed by any Bondholder) procure that the Borrowers deliver, or procure the delivery, to the Issuer and the Bond Trustee of a Full Valuation Report or a Desk Top Valuation, as so requested, prepared by a Valuer, subject to such indemnity or pre-funding as to the costs of preparing the same as the Issuer (on behalf of itself and the Borrowers) shall require from the relevant Bondholder.

### 6.3 Loan Agreements, Legal Mortgages and Security Trust Deed Consents Covenant

For so long as any of the Bonds remain outstanding, the Issuer covenants that it shall not consent to any waiver, amendment or modification of, or take any action or direct the Security Trustee to take any action pursuant to, the Loan Agreements, the Legal Mortgages, the Accession Deed or the Security Trust Deed except with the prior written consent of the Bond Trustee. The Bond Trustee may seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.

7 Interest

### 7.1 Interest Rate and Interest Payment Dates

The New Bonds bear interest from (and including) 30 April 2021 at the rate of 4.125 per cent. per annum, payable semi-annually in arrear in equal instalments on 30 April and 31 October in each year (each, an Interest Payment Date), commencing on 31 October 2021.

### 7.2 Interest Accrual

Each Bond will cease to bear interest from (and including) its due date for redemption unless, upon due presentation, payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Bond Trust Deed.

### 7.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full half year, it shall be calculated on the basis of (a) the actual number of days in the period from (and including) the date from which interest begins to accrue (the Accrual Date) to (but excluding) the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to (but excluding) the next following Interest Payment Date multiplied by 2, and multiplying this by the rate of interest specified in Condition 7.1 above and the relevant principal amount of the Bonds.

### 8.1 Payments in respect of Bonds and Coupons

Payments of principal and interest in respect of each Bond will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Bond, except that payments of interest on an Interest Payment Date will be made against presentation and surrender (or in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

### 8.2 Method of Payment

Payments will be made by credit or transfer to an account in Sterling maintained by the payee with, or, at the option of the payee, by a cheque in Sterling drawn on, a bank in London.

### 8.3 Missing Unmatured Coupons

Each Bond should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 11 (Prescription)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

### 8.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

### 8.5 Payment Day

If the date for payment of any amount in respect of any Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, Payment Day means any day which (subject to Condition 11 (Prescription)):
(a) is, or falls after, the relevant due date;
(b) is, or falls at least one Business Day after, the corresponding Loan Payment Day;
(c) is a Business Day in the place of the specified office of the Paying Agent at which the Bond or Coupon is presented for payment; and
(d) in the case of payment by a credit or transfer to a Sterling account in London as referred to above, is a Business Day in London.

In this Condition, Business Day means, in relation to any place, 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 that place.

### 8.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Bond Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:
(a) there will at all times be a Principal Paying Agent;
(b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which, so long as the Bonds are admitted to official listing on the London Stock Exchange, shall be London or such other place as the Financial Conduct Authority may approve; and
(c) the Issuer undertakes to maintain 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 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 15 (Notices).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer 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 Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying 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 paying agent.

### 8.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Bonds shall be deemed to include, as applicable:
(a) any additional amounts which may be payable with respect to principal under Condition 10 (Taxation); and
(b) any specific redemption price referred to in Condition 9 (Redemption and Purchase) which may be payable by the Issuer under or in respect of the Bonds.

Any reference in these Conditions to interest in respect of the Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 (Taxation).

## 9 Redemption and Purchase

### 9.1 Redemption at Maturity

Unless previously redeemed, or purchased and cancelled as specified in these Conditions, the Bonds will be redeemed by the Issuer at their principal amount on the Maturity Date.

## Early Redemption

If, in accordance with the Loan Agreements, a Borrower elects to prepay its Loan in whole or in part prior to the repayment date specified in the relevant Loan Agreement, then (if no replacement Commitment is put in place with another Borrower) the Issuer shall redeem the Bonds in whole or, in respect of a prepayment in part, in an aggregate principal amount equal to the principal amount of the Loan to be repaid on the date which is two Business Days after that on which payment is made by the relevant Borrower under the relevant Loan Agreement (the Loan Prepayment Date).

Redemption of the Bonds pursuant to this Condition 9.2 shall be made at the higher of the following:
(a) par; and
(b) the amount (as calculated by a financial adviser nominated by the Issuer and approved by the Bond Trustee (the Nominated Financial Adviser) and reported in writing to the Issuer and the Bond Trustee) which is equal to the principal amount of the Bonds to be redeemed multiplied by the price (expressed as a percentage and calculated by the Nominated Financial Adviser) (rounded to three decimal places ( 0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Bonds (if the Bonds were to remain outstanding until their original maturity) on the Determination Date would be equal to the sum of (i) the Gross Redemption Yield at $3: 00 \mathrm{pm}$ (London time) on the Determination Date of the Benchmark Gilt and (ii) 0.20 per cent., together with any interest accrued up to (but excluding) the Loan Prepayment Date. For the purposes of this Condition:

Benchmark Gilt means the $41 / 2 \%$ Treasury Gilt 2042 or such other conventional (i.e. not indexlinked) UK Government Gilt as the Issuer (with the advice of the Nominated Financial Adviser) may determine (failing such determination, as determined by the Bond Trustee with such advice) to be the most appropriate benchmark conventional UK Government Gilt;

Determination Date means three Business Days prior to the Loan Prepayment Date; and
Gross Redemption Yield means a yield calculated by the Nominated Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a QuasiCoupon Date) (published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005) (as amended or supplemented from time to time).

### 9.3 Early Redemption for Tax Reasons

If, as a result of any actual or proposed change in tax law, the Issuer determines (in its reasonable commercial judgement), and certifies to the Bond Trustee, that it would, on the next following Interest Payment Date, be required to make a withholding or deduction in respect of payments to be made on such Interest Payment Date (other than in respect of a Bondholder Specific Withholding) and the Issuer does not opt to pay additional amounts pursuant to Condition 10.2 (No obligation to pay additional amounts) or, having so opted, notifies the Bond Trustee and the Bondholders, in accordance with Condition 15 (Notices), of its intention to cease paying such additional amounts, the Issuer shall redeem the Bonds in whole, but not in part, at their principal amount, plus accrued interest to (but excluding) the date of redemption, as soon as reasonably practicable prior to the next following Interest Payment Date or, if it is not reasonably practicable for the Issuer to redeem the Bonds prior to the next following Interest

Payment Date, within three Business Days thereafter. For the avoidance of doubt, any amounts in respect of accrued interest which fall due on any such redemption of the Bonds (and, where the redemption follows the next following Interest Payment Date, such Interest Payment Date) shall be paid subject to the required withholding or deduction and the Issuer shall not be obliged to pay any additional amounts in respect thereof.

### 9.4 Mandatory Early Redemption

If a Loan becomes repayable:
(a) as a result of a Loan Event of Default; or
(b) following a Borrower ceasing to be a Registered Provider of Social Housing (other than if the relevant Borrower regains its status as a Registered Provider of Social Housing within 180 days),
then (unless the Issuer has agreed with another Borrower to increase its Commitment by the relevant amount of the Loan to be prepaid not later than the date on which the relevant amount of Bonds would otherwise be redeemed), the Issuer shall redeem the Bonds in an aggregate principal amount equal to the principal amount of the relevant Loan at their principal amount, plus accrued interest to (but excluding) the date on which the Loan is repaid (the Loan Repayment Date), on the date which is two Business Days after the Loan Repayment Date.

### 9.5 Notice of Early Redemption

Notice of any early redemption in accordance with Condition 9.2 (Early Redemption), Condition 9.3 (Early Redemption for Tax Reasons) or Condition 9.4 (Mandatory Early Redemption) above shall be given by the Issuer to the Bond Trustee, the Paying Agents and the Bondholders, in accordance with Condition 15 (Notices), as promptly as practicable.

In the case of a partial redemption of Bonds, Bonds to be redeemed will be selected in such place as the Bond Trustee may approve and in such manner and at such time as the Bond Trustee may deem appropriate and fair. Notice of any such selection will be given by the Issuer to the Bondholders as promptly as practicable. Each notice will specify the date fixed for redemption, the early redemption amount and the aggregate principal amount of the Bonds to be redeemed, the serial numbers of the Bonds called for redemption, the serial numbers of Bonds previously called for redemption and not presented for payment and the aggregate principal amount of the Bonds which will be outstanding after the partial redemption.

### 9.6 Calculations

Each calculation, by or on behalf of the Issuer, for the purposes of this Condition 9 shall, in the absence of manifest error, be final and binding on all persons. If the Issuer does not at any time for any reason calculate amounts referred to in this Condition 9, such amounts may be calculated by the Bond Trustee, or an agent appointed (at the expense of the Issuer) by the Bond Trustee for this purpose, (without any liability accruing to the Bond Trustee as a result) based on information supplied to it by the Issuer and each such calculation shall be deemed to have been made by the Issuer.

### 9.7 Purchase of Bonds by a Borrower or members of the Original Borrower Group

A Borrower and any other member of the Original Borrower Group (other than the Issuer) may at any time purchase Bonds in the open market or otherwise at any price. Following any such purchase, such Borrower or such member of the Original Borrower Group, as the case may be,
may (but is not obliged to) surrender the Bonds to the Issuer for cancellation. An amount equal to the principal amount of the Bonds being surrendered shall be deemed to be prepaid under the Loan Agreement specified by such Borrower or member of the Original Borrower Group (but, for the avoidance of doubt, without triggering a redemption under Condition 9.2 (Early Redemption)) or, to the extent that the relevant Loan is not then outstanding, an amount of the Undrawn Commitment equal to the principal amount of the Bonds surrendered shall be deemed to be cancelled for the purposes of such Loan Agreement and an amount of Retained Proceeds equal to the Cancelled Retained Proceeds shall be paid by the Issuer to such Borrower or such member of the Original Borrower Group, as the case may be.

### 9.8 Purchase of Bonds by the Issuer

The Issuer:
(a) purchased the Original Retained Bonds on the Original Issue Date;
(b) shall purchase the New Retained Bonds on the New Bond Issue Date; and
(c) may at any time purchase Bonds in the open market or otherwise at any price.

### 9.9 Cancellation of purchased or redeemed Bonds

All Bonds redeemed by the Issuer pursuant to Condition 9.2 (Early Redemption), Condition 9.3 (Early Redemption for Tax Reasons) or Condition 9.4 (Mandatory Early Redemption) or surrendered to the Issuer for cancellation pursuant to Condition 9.7 (Purchase of Bonds by a Borrower or members of the Original Borrower Group) shall be cancelled and may not be reissued or resold.

The Issuer (a) may cancel any Retained Bonds held by it or on its behalf following a request by a Borrower, pursuant to a Loan Agreement, to cancel a corresponding amount of the Borrower's Undrawn Commitment; (b) shall cancel all Retained Bonds held by or on behalf of the Issuer (i) immediately prior to such Retained Bonds being redeemed on the Maturity Date; (ii) forthwith upon notice that the Bonds are to be redeemed (and, in any event, prior to such redemption) in accordance with Condition 9.3 (Early Redemption for Tax Reasons), Condition 12 (Events of Default and Enforcement) or Condition 9.4 (Mandatory Early Redemption); and (iii) in the case of the Original Bonds, on the date falling five years after the Original Issue Date and, in the case of the New Retained Bonds, on the date falling five years after the New Bond Issue Date; and (c) may cancel any Bonds (other than Retained Bonds) held by it or on its behalf at any time at its discretion.

### 9.10 <br> Bondholder Put Option

Within 30 days of (i) the Issuer becoming aware of any failure of a Borrower to comply with the Interest Cover Test or (ii) the Issuer agreeing with a Borrower to increase its Commitment, following another Borrower ceasing to be a Registered Provider of Social Housing, the Issuer shall convene a meeting of Bondholders to consider, by Extraordinary Resolution and in accordance with Condition 17 (Meetings of Bondholders, Modification and Waiver), whether or not to approve the ability of Bondholders to exercise the put option described in this Condition 9.10 (Bondholder Put Option).

If the Bondholders approve such Extraordinary Resolution, then any Bondholder may, within 30 days of such approval, give an irrevocable notice to the Issuer of such Bondholder's decision to require the Issuer to procure that a member of the Original Borrower Group purchases all of the

Bonds owned by such Bondholder on the day falling 45 days after the date on which the Extraordinary Resolution was so approved (the Put Option Date).

On the Put Option Date, the Issuer shall procure that a member of the Original Borrower Group purchases, in whole (but not in part), all of the Bonds in respect of which the relevant Bondholders have exercised the Bondholder Put Option, at their principal amount plus an amount equal to accrued interest to (but excluding) the Put Option Date (the Bondholder Put Amount).

Taxation

### 10.1 Payments without withholding

All payments of principal and interest in respect of the Bonds and Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (Taxes) imposed or levied by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction is required by law in which case the relevant payment will be made subject to such withholding or deduction.

## No obligation to pay additional amounts

Neither the Issuer (subject as follows), the Bond Trustee nor any Paying Agent shall be obliged to pay any additional amounts to the Bondholders or Couponholders as a result of any withholding or deduction made in accordance with Condition 10.1 (Payments without withholding).

Notwithstanding the foregoing, in the event that the Issuer would, on the next Interest Payment Date, be required to make a withholding or deduction in respect of tax (other than in respect of a Bondholder Specific Withholding), the Issuer may, provided that it has given notice to the Bond Trustee and the Bondholders, in accordance with Condition 15 (Notices), of its intention to do so prior to such Interest Payment Date, pay to Bondholders such additional amounts as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction will equal the amounts of principal and interest which would have been received in respect of the Bonds in the absence of such withholding or deduction. If at any time the Issuer intends to cease paying such additional amounts it may do so by giving notice to the Bondholders and the Bond Trustee of its intention to do so with effect from the next Interest Payment Date.

The Bonds and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

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 8 (Payments) or any Talon which would be void pursuant to Condition 8 (Payments).

### 12.1 Events of Default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least one-fourth in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being secured and/or indemnified and/or pre-funded to its satisfaction) (but in the case of the happening of any of the events described in paragraphs 12.1 (b), (c) and (i) below, only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders), give notice in writing to the Issuer (an Acceleration Notice) that the Bonds are, and the Bonds shall thereupon immediately become, due and repayable at their principal amount together with accrued interest as provided in the Bond Trust Deed if any of the following events (each an Event of Default) shall occur:
(a) if default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of seven days in the case of principal and fourteen days in the case of interest; or
(b) if the Issuer fails to perform or observe any of its other obligations under, or in respect of, the Conditions, the Bond Trust Deed or the Issuer Security Deed or if any representation given by the Issuer to the Bond Trustee in the Bond Trust Deed or the Issuer Security Deed is found to be untrue, incorrect or misleading as at the time it was given and (except in any case where, in the opinion of the Bond Trustee, the failure or inaccuracy is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure or inaccuracy continues for the period of 30 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or
(c) (A) any other present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds $£ 10,000,000$ or its equivalent in other currencies (as reasonably determined by the Bond Trustee); or
(d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer save for the purposes of reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution; or
(e) if the Issuer ceases or threatens to cease to carry on the whole or, in the opinion of the Bond Trustee, substantially all of its business, save for the purposes of a reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution; or
(f) if the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
(g) if (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, liquidator, manager, administrator or other similar official, or an administrative or other receiver, liquidator, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to all or substantially all of the Issuer's undertaking or assets, or an encumbrancer takes possession of all or substantially all of the Issuer's undertaking or assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the Issuer's undertaking or assets and (B) in any such case (other than the appointment of an administrator) is not discharged within 14 days; or
(h) if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
(i) if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds, the Bond Trust Deed, the Issuer Security Deed or any Loan Agreement.

### 12.2 Enforcement

The Bond Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Bond Trust Deed, the Bonds, the Coupons and/or any of the other Transaction Documents, but it shall not be bound to take any such proceedings or other steps or action unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fourth in principal amount of the Bonds then outstanding and (ii) it shall have been secured and/or indemnified and/or pre-funded to its satisfaction.

The Bond Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Bond Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

No Bondholder, Couponholder or any Issuer Secured Creditor (other than the Bond Trustee) shall be entitled (i) to take any steps or action against the Issuer to enforce the performance of any of the provisions of the Bond Trust Deed, the Bonds, the Coupons or any of the other Transaction Documents or (ii) to take any other action (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case unless the Bond Trustee, having become bound so to take any such steps, actions or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

Replacement of Bonds, Coupons and Talons
Should any Bond, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (subject to all applicable laws and the requirements of the UK Listing Authority or the London Stock Exchange) 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 Bonds, Coupons or Talons must be surrendered before replacements will be issued.

## 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 Bond to which it appertains) a further Talon, subject to the provisions of Condition 11 (Prescription).

## Notices

All notices regarding the Bonds will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the Financial Times in London. 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 other relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading. 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. If, in the opinion of the Bond Trustee, publication as provided above is not practicable, a notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe.

Notices to be given by any Bondholder shall be in writing and given by lodging the same, together with the relative Bond or Bonds, with the Principal Paying Agent.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of the Bonds in accordance with this Condition 15 (Notices).

## Substitution

The Bond Trust Deed contains provisions permitting the Bond Trustee, subject to any required amendment of the Bond Trust Deed, without the consent of the Bondholders or the Couponholders or any Issuer Secured Creditor, to agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds, the Coupons and the Bond Trust Deed of another company, registered society or other entity subject to:
(a) the Bond Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution; and
(b) certain other conditions set out in the Bond Trust Deed being complied with.

Any such substitution shall be notified to the Bondholders by the Issuer in accordance with Condition 15 (Notices) as soon as practicable thereafter.

### 17.1 Meetings of Bondholders

The Bond Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds, the Coupons or any of the provisions of the Bond Trust Deed (as more particularly described in the Bond Trust Deed). Such a meeting may be convened by the Issuer or the Bond Trustee and shall be convened by the Issuer if required in writing by Bondholders holding not less than ten per cent. in principal amount of the Bonds for the time being remaining outstanding (other than in respect of a meeting requested by Bondholders to discuss the financial position of the Issuer and the Original Borrower Group, which shall be requested in accordance with, and shall be subject to, Condition 6.2(c) (Information Covenants)). The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in aggregate more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting the business of which includes any matter defined in the Bond Trust Deed as a Reserved Matter, the quorum shall be one or more persons holding or representing in aggregate not less than 75 per cent. in principal amount of the Bonds for the time being outstanding, or at any such adjourned meeting one or more persons holding or representing in aggregate not less than 25 per cent. in principal amount of the Bonds for the time being outstanding. The Bond Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Bond Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution or (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders shall be binding on all the Bondholders, whether or not (in the case of Extraordinary Resolutions passed at any meeting) they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

## Modification, Waiver, Authorisation and Determination

The Bond Trustee may agree, without the consent of the Bondholders, the Couponholders or any Issuer Secured Creditor, to any modification (except as stated in the Bond Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds, the Bond Trust Deed, any Legal Mortgage or any other Transaction Document, or determine, without any such consent as aforesaid, that any Potential Event of Default or Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of the Bondholders so to do or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Bond Trustee, is of a formal, minor or technical nature or to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Bondholders, the Couponholders and the Issuer Secured Creditors and, unless the Bond Trustee agrees otherwise, shall be notified to the Bondholders in accordance with Condition 15 (Notices) as soon as practicable thereafter.

### 17.3 Bond Trustee to have regard to interests of Bondholders as a class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Bond Trustee shall have regard to the general interests of the Bondholders
(excluding the Issuer, for so long as it holds any Bonds) as a class (but shall not have regard to any interests arising from circumstances particular to individual Bondholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders or 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 subdivision thereof and the Bond Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer, the Bond Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders or Couponholders.

## Indemnification and protection of the Bond Trustee and Bond Trustee contracting with the Issuer

The Bond Trust Deed contains provisions for the indemnification of the Bond Trustee and for its relief from responsibility and liability towards the Issuer, the Bondholders and the Couponholders, including (i) provisions relieving it from taking action unless secured and/or indemnified and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Bond Trustee is exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Issuer Charged Property, from any obligation to insure all or any part of the Issuer Charged Property (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder), or to procure the same to be insured.

The Bond Trust Deed also contains provisions pursuant to which the Bond Trustee is entitled, inter alia, (a) to enter into or be interested in any contract or financial or other transaction or other arrangement with the Issuer and/or any other Transaction Party or any person or body corporate associated with the Issuer and/or any Transaction Party and (b) to accept or hold the trusteeship of any other trust deed constituting or securing any other securities issued by, or relating to, the Issuer and/or any Transaction Party or any such person or body corporate so associated or any other office of profit under the Issuer and/or any Transaction Party or any such person or body corporate so associated.

The Bond Trustee shall not be bound to take any step or action in connection with the Bond Trust Deed or the Bonds or obligations arising pursuant thereto or pursuant to the other Transaction Documents, where it is not satisfied that it is indemnified and/or secured and/or prefunded against all its liabilities and costs incurred in connection with such step or action and may demand, prior to taking any such step or action, that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so as to indemnify it.

The Bond Trustee shall have no responsibility for the validity, sufficiency or enforceability of the Issuer Security. The Bond Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents, neither shall the Bond Trustee be responsible for monitoring the compliance by the Borrowers or any of the other parties to the Legal Mortgages, the Accession Deed and the Security Trust Deed of their obligations under the Legal Mortgages, the Accession Deed, the Security Trust Deed or any other document.

Further Issues

The Issuer shall be at liberty from time to time without the consent of the Bondholders or the Couponholders to create and issue further bonds having terms and conditions (and backed by
the same assets) the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further bonds so created and issued shall be constituted by a trust deed supplemental to the Bond Trust Deed.

## Contracts (Rights of Third Parties) Act 1999

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

## Governing Law

The Bond Trust Deed, the Loan Agreements, the Issuer Security Deed, the other Transaction Documents, the Bonds and the Coupons, and any non-contractual obligations or matters arising from or in connection with them, shall be governed by, and construed in accordance with, English law.

## Submission to Jurisdiction

The Issuer has, in the Bond Trust Deed, irrevocably agreed for the benefit of the Bond Trustee, the Bondholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bond Trust Deed, the Bonds or the Coupons (including a dispute relating to non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Bonds or the Coupons) and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has, in the Bond Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Bond Trustee, the Bondholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Bond Trust Deed, the Bonds or the Coupons respectively (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Bonds or the Coupons) (together referred to as Proceedings) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

# Form of the New Bonds and Summary of provisions relating to the New Bonds while in Global Form 

## Form of the Bonds

## Form, Exchange and Payments

The New Bonds will be in bearer new global note (NGN) form and will be initially issued in the form of a temporary global bond (the Temporary Global Bond) which will be delivered on or prior to the New Bond Issue Date to a common safekeeper for Euroclear Bank SA/NV (Euroclear) and/or Clearstream Banking, S.A. (Clearstream, Luxembourg).

The New Bonds are intended to be held in a manner which will allow eligibility by the monetary authority of the eurozone (Eurosystem). This simply means that the New Bonds are intended upon issue to be deposited with one of Euroclear or Clearstream, Luxembourg (together, the ICSDs) as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) and does not necessarily mean that the New Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

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

On and after the date which is 40 days after the Temporary Global Bond is issued (the Exchange Date), interests in the Temporary Global Bond will be exchangeable (free of charge) upon a request as described therein for interests recorded in the records of Euroclear or Clearstream, Luxembourg, as the case may be, in a permanent global bond (the Permanent Global Bond and, together with the Temporary Global Bond and the permanent global bond representing the Original Bonds, the Global Bonds), against certification of beneficial ownership as described above unless such certification has already been given. The holder of the Temporary Global 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 Bond for an interest in the Permanent Global Bond is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on the Permanent Global Bond will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification.

On each occasion of a payment in respect of a Global Bond the Principal Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

The Global Bonds will be exchangeable (free of charge), in whole but not in part, for definitive Bonds with interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (a) an Event of Default (as defined in Condition 12.1 (Events of Default)) has occurred and is continuing, or (b) 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 (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds represented by the relevant Global Bond in definitive form. The Issuer will promptly give notice to Bondholders in accordance with Condition 15 (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 Global 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 (c) 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.

## Legend concerning United States persons

The following legend will appear on all Bonds (other than the Temporary Global Bond) and on all interest coupons relating to the 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 the Bonds or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of the Bonds or interest coupons.

## Summary of Provisions relating to the Bonds while in Global Form

## Notices

For so long as all of the Bonds are represented by one or more of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Bondholders (which includes, for this purpose, any Compliance Certificate, Security Adjustment Certificate or annual reports required to be made available pursuant to a request by any of the Bondholders pursuant to Condition 6.2 (Information Covenants)) may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 15 (Notices). Any such notice shall be deemed to have been given to the holders of the Bonds on the day after the day on which such notice was delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

For so long as all of the Bonds are represented by one or more of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to be given by any Bondholder may be given to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## Accountholders

For so long as any of the Bonds is represented by a Global Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (the Accountholder) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such principal amount of such Bonds for all purposes
other than with respect to the payment of principal or interest on such principal amount of such Bonds, for which purpose the bearer of the relevant Global Bond shall be treated as the holder of such principal amount of such Bonds in accordance with and subject to the terms of the relevant Global Bond and the expressions Bondholder and holder of Bonds and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular principal amount of Bonds as aforesaid, the Bond Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

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

## Prescription

Claims against the Issuer in respect of principal and interest on the Bonds represented by a Global Bond will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

## Cancellation

Cancellation of any Bond represented by a Global Bond and required by the Conditions of the Bonds to be cancelled following its redemption or purchase will be effected by entry in the records of Euroclear or Clearstream, Luxembourg, as the case may be.

## Partial Redemption

For so long as all of the Bonds are represented by one or more of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Bonds will be required under Condition 9.5 (Notice of Early Redemption) in the event that the Bonds are to be redeemed in part pursuant to Condition 9.2 (Early Redemption). In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Bond(s) are to be subject to such redemption.

## Payment Day

In the case of a Global Bond, Condition 8.5 (Payment Day) shall not apply in relation to any payments in relation to such Global Bond.

## Exercise of Put Option

In order to exercise the option contained in Condition 9.10 (Bondholder Put Option) the bearer of the Permanent Global Bond and the permanent global bond representing the Original Bonds must, within the period specified in the Conditions for the deposit of the relevant Bond and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Bonds in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

## Single Series

The New Bonds shall be consolidated and form a single series with the Original Bonds on and from the date on which, and to the extent that, interests in the Temporary Global Bond are exchanged for interests in the Permanent Global Bond, as described above. Such exchange shall not occur earlier than 40 days after the Temporary Global Bond is issued.

## Use of Proceeds

The net proceeds of the sale of the New Bonds to a third party (after deduction of expenses payable by the Issuer) will be advanced by the Issuer to the Borrowers pursuant to the Loan Agreements to be applied in the achievement of the Borrowers' charitable objects (including, without limitation, on-lending to their subsidiaries and the repayment of any existing indebtedness of the Borrowers and any other amounts due and payable thereunder).

## Description of the Loan Agreements

The following description of the Loan Agreements consists of a summary of certain provisions of the Loan Agreements and is subject to the detailed provisions thereof. The Loan Agreements are not, however, incorporated by reference into, and therefore do not form part of, this Prospectus.

Definitions used in this section but not otherwise defined in this Prospectus have the meanings given to them in the Loan Agreements.

## Facility

Subject to the provisions of the bond loan agreement dated 31 October 2014, as supplemented by a supplemental bond loan agreement dated 24 June 2021, (together, the 2014 Yorkshire Loan Agreement) and as further supplemented by a supplemental bond loan agreement to be dated the New Bond Issue Date (the Supplemental Yorkshire Loan Agreement and, together with the 2014 Yorkshire Loan Agreement, the Original Loan Agreement), each between the Issuer, the Original Borrower and the Security Trustee, the Issuer shall commit to make a further loan to the Original Borrower in the principal amount of $£ 200,000,000$ (the New Yorkshire Commitment and, together with the Original Commitment (as defined in the 2014 Yorkshire Loan Agreement) and, together with any further commitments, the Yorkshire Commitment). The New Yorkshire Loan in respect of the Original Loan Agreement is the principal amount of the New Yorkshire Commitment that has been advanced to the Original Borrower or the outstanding balance thereof.

Upon the sale by the Issuer of Retained Bonds or the issue by the Issuer of any further Bonds pursuant to Condition 19 (Further Issues), the Issuer may commit (subject, with respect to sale proceeds of the Retained Bonds, to the Yorkshire Commitment being reduced accordingly) to making a loan to one or more of the Original Borrower and/or one or more other charitable Registered Providers of Social Housing of the Original Borrower Group (together, the Additional Borrowers and each an Additional Borrower and, together with the Original Borrower, the Borrowers) in a principal amount which reflects such sale or issue proceeds (each a Commitment and, together with the Yorkshire Commitment, the Commitments) pursuant to the Original Loan Agreement or one or more additional bond loan agreements (each an Additional Loan Agreement and, together with the Original Loan Agreements, the Loan Agreements). The Loan, in respect of each Additional Loan Agreement, is the principal amount of the Commitment that has been advanced to the relevant Borrower or the outstanding balance thereof.

Each Commitment may be drawn in one or more drawings and the maximum principal amount of each drawing shall be an amount which corresponds to the Minimum Value of the Existing Properties and any Additional Properties which have, on or before the date of such drawing, been charged in favour of the Security Trustee, for the benefit of the Issuer, less the aggregate amount of all Commitments which have previously been drawn.

No Commitment may be drawn until the relevant Borrower has satisfied the conditions set out in the relevant Loan Agreement in respect of the first drawing, and the conditions set out in the relevant Loan Agreement in respect of any subsequent drawings of amounts of the relevant Commitment which exceed the Minimum Value of the Existing Properties. In addition, each of the Issuer and the Original Borrower have acknowledged (and each Additional Borrower will be required to acknowledge) that any drawing of a Commitment shall be subject to the Security Trustee being satisfied that the value of the Issuer's Designated Security (based solely on the relevant confirmation from each Borrower of the Minimum Value of the Properties forming part of the Issuer's Designated Security (which itself shall be evidenced by the relevant Full Valuation Report or Desk Top Valuation, as the case may be, (each a Valuation Report)), which the Security Trustee is entitled to rely upon without further enquiry or investigation in respect thereof) is such that the Asset Cover Test is satisfied immediately following such
drawing and, in respect of any part of the Commitment which is to be funded by the Issuer by a sale of Retained Bonds and/or an issue of further Bonds, the receipt by the Issuer of such net sale proceeds or issue proceeds thereof.

The New Yorkshire Commitment shall be advanced in an amount equal to the Actual Advance Amount. The Original Borrower has acknowledged (and each Additional Borrower will be required to acknowledge) that the Issuer may invest all or any part of the Retained Proceeds in Permitted Investments in accordance with the Custody Agreement and that, as a result of (i) any losses made by the Issuer in respect of such Permitted Investments and/or (ii) any issue or sale of Bonds by the Issuer made at a discount to the principal amount of such Bonds, the amount of Retained Proceeds held by the Issuer, at the time of any drawdown request, may be less than the Undrawn Commitment which is to be funded from such Retained Proceeds. Each drawing to be funded from the Retained Proceeds shall be advanced in an amount equal to the Actual Advance Amount (which may be a discount to the principal amount requested).

For the avoidance of doubt:
(a) the Borrowers shall not be required to monitor the market value of any Permitted Investments;
(b) any difference between the principal amount of a drawing and the relevant Actual Advance Amount shall be ignored in determining the amount of any Loan and, inter alia, the calculation of interest, principal and premium payments payable in respect thereon; and
(c) any income received by the Issuer in respect of Permitted Investments shall not be credited to the Initial Cash Security Account but shall instead be credited to the Transaction Account in accordance with the Account Agreement.

The Issuer and the Original Borrower have agreed that (and each Additional Borrower will be required to agree that):
(a) where the Issuer is required to sell any Permitted Investments to fund a drawing under the Loan Agreement and such sale results in a Permitted Investment Profit, the Issuer shall make one or more Gift Aid Payments to a Charitable Group Member in an amount equal to the Permitted Investment Profit and, for the avoidance of doubt, such drawing shall be advanced at the Actual Advance Amount; and
(b) immediately prior to the end of each accounting period, to the extent that the Issuer would otherwise be required to recognise a profit for tax purposes in respect of its Permitted Investments and/or Retained Bonds as a result of the movement in the fair value recognised in its accounts of such Permitted Investments and/or Retained Bonds for that accounting period, the Issuer shall sell Permitted Investments in an aggregate amount equal to the Accounting Profit and shall, in the same accounting period or, where the Lender makes a valid claim under section 199 of the Corporation Tax Act 2010, make a Gift Aid Payment to a Charitable Group Member in an amount equal to the Accounting Profit.

The Issuer and the Original Borrower have also agreed that (and each Additional Borrower will be required to agree that), upon a sale (if any) of the Retained Bonds by the Issuer:
(a) in the event that such sale produces a Retained Bond Premium Amount, the Issuer shall make a gift aid payment to a Charitable Group Member in an amount equal to the Retained Bond Premium Amount and, for the avoidance of doubt, where the Issuer is required to sell such Retained Bonds to directly fund a drawing under a Loan Agreement, such drawing shall be advanced at the Actual Advance Amount; and
(b) where the Issuer is required to sell any Retained Bonds to directly fund a drawing under a Loan Agreement and such sale is made at a discount to the principal amount of such Retained Bonds, such drawing shall be advanced at a discount in an amount equal to the Actual Advance Amount.

For the avoidance of doubt:
(a) the Borrowers shall not be required to monitor the market value of any Retained Bonds; and
(b) any difference between the principal amount of a drawing and the relevant Actual Advance Amount shall be ignored in determining the amount of the relevant Loan and, inter alia, the calculation of interest, principal and premium payments payable in respect thereon.

The Original Borrower has agreed that (and each Additional Borrower will be required to agree that), where the Issuer is required to sell any Retained Bonds in order to fund a drawdown request, the Issuer's obligations to fund such drawdown will be subject to the ability of the Issuer to sell such Retained Bonds to a third party.

For so long as any Retained Bonds are held by or on behalf of the Issuer, a Borrower may request that an amount of its Commitment be cancelled (provided that such amount does not exceed the principal amount of Retained Bonds held by or on behalf of the Issuer at that time). As soon as practicable following any such request, the Issuer shall cancel Retained Bonds in a corresponding amount. Such cancellation of the relevant Commitment shall take effect upon the cancellation of such Retained Bonds.

Subject to the conditions precedent set out in each Loan Agreement, the Issuer may make further commitments to the Borrowers, each in an amount to be agreed between the Issuer, the relevant Borrower and the Security Trustee, following the issuance of further bonds pursuant to Condition 19 (Further Issues).

For these purposes:
Actual Advance Amount means, in respect of each drawing which is funded by a sale of New Retained Bonds, the lesser of:
(a) the principal amount of such drawing multiplied by the sale price of such New Retained Bonds (or the proportion thereof being sold to fund such drawing); and
(b) the principal amount of such drawing multiplied by the result of dividing:
(i) the amount of New Retained Bond Retained Proceeds held by the Issuer at the time of the drawdown request (for the avoidance of doubt, after taking into account any losses suffered by the Issuer as a result of investing in Permitted Investments but, for this purpose, excluding any Permitted Investment Profit), by
(ii) the Undrawn Commitment which is to be funded from such New Retained Bond Retained Proceeds.

New Retained Bond Retained Proceeds means, in respect of any New Retained Bonds, the net sale proceeds of such New Retained Bonds which are retained by the Lender in the Initial Cash Security Account or, to the extent invested in Permitted Investments in accordance with the Custody Agreement, the net sale proceeds of such Permitted Investments.

## Purpose

The proceeds of the Loan may only be used by a Borrower in accordance with such Borrower's charitable objects, as permitted by its Rules including, for the avoidance of doubt, the repayment of any existing indebtedness of such Borrower and any other amounts due and payable thereunder.

## Interest

## Rate of Interest

Following its advance, each Loan will carry interest at the rate of 4.125 per cent. per annum, payable in arrears by half yearly instalments on each Loan Payment Date (being two Business Days prior to each Interest Payment Date).

## Interest Periods

Notwithstanding the fact that interest is payable on each Loan Payment Date, interest will accrue daily on each Loan from (and including) an Interest Payment Date (or, in the case of the first interest period of the Loan, the date of its initial advance) to (but excluding) the immediately following Interest Payment Date (each, a Loan Interest Period).

## Commitment Fee

Each Borrower shall pay to the Issuer a commitment fee in respect of its Undrawn Commitment on each Interest Payment Date in an amount equal to its pro rata share (based on the aggregate amount of all Undrawn Commitments of all Borrowers) of the aggregate of the interest payable by the Issuer under the Bonds on the following Interest Payment Date less (a) the interest received from the Borrower under the Loan Agreements on such Loan Payment Date and (b) any interest otherwise received by the Issuer in respect of the Retained Proceeds in the relevant Interest Period (including, but not limited to, any income received by the Issuer in respect of any Permitted Investments in which any Retained Proceeds are, for the time being, invested). The commitment fee shall accrue on a daily basis.

## Repayment, Purchase and Prepayment

## Repayment

Each Borrower must repay its Loan in full two Business Days prior to the Final Repayment Date.

## Bond Purchase

The Borrowers or any other member of the Original Borrower Group (other than the Issuer) may at any time purchase Bonds by tender or by private treaty, at any price.

Following any such purchase, the relevant Borrower or the relevant member of the Original Borrower Group may (but is not obliged to) surrender the Bonds to the Issuer to be cancelled. An amount of the outstanding balance of the relevant Loan equal to the principal amount of the Bonds surrendered shall be deemed to be prepaid (or, to the extent that no Loan is then outstanding, then an amount of the relevant Undrawn Commitment equal to the outstanding balance of the Bonds surrendered shall be deemed to be cancelled for the purposes of the relevant Loan Agreement and a corresponding portion of the Retained Proceeds shall be paid by the Issuer to the relevant Borrower or the relevant member of the Original Borrower Group).

The Original Borrower has acknowledged (and each Additional Borrower will be required to acknowledge) that the terms of the Bond Trust Deed provide that any Bonds which are for the time being
held by or on behalf of, inter alios, a Borrower or any member of the Original Borrower Group as beneficial owner shall be deemed not to remain outstanding for the purpose of, inter alia, the right to attend and vote at any meeting of the Bondholders.

If the Interest Cover Test is breached, or if the Issuer has agreed with a Borrower to increase its Commitment, following another Borrower ceasing to be a Registered Provider of Social Housing, and (in either case) the Bondholders approve and exercise the Bondholder Put Option in accordance with Condition 9.10 (Bondholder Put Option) the Borrowers shall, or shall procure that another member of the Original Borrower Group shall, purchase the Bonds of such Bondholders at the Bondholder Put Amount.

## Optional Prepayment

Pursuant to the relevant provisions of each Loan Agreement, each Borrower may, at any time (a) on or after the Final Retained Bond Disposal Date and (b) before the Final Repayment Date, by giving not less than 45 nor more than 60 days' notice in writing to the Issuer and the Security Trustee, prepay the whole or (as the case may be) any part of the outstanding balance of its Loan, together with any interest accrued up to and including the date of prepayment and the relevant Prepayment Premium (being, for so long as any Bonds are outstanding, an amount equal to the excess of the amount notified to such Borrower by the Issuer as being the price determined under the Bond Trust Deed for the redemption of a corresponding principal amount of the Bonds over par and otherwise zero).

## Mandatory Prepayment - Redemption of Bonds

If the Bonds become redeemable prior to the Maturity Date, other than as a result of a prepayment or termination of a Loan Agreement, each Borrower shall prepay, at least one Business Day prior to the relevant date of redemption of the Bonds, the outstanding balance of its Loan, together with accrued interest and accrued commitment fee thereon up to and including the date of redemption.

## Mandatory Prepayment - Cancellation of Status

Pursuant to the relevant provisions of each Loan Agreement each Borrower shall promptly notify the Issuer and the Security Trustee if it ceases to be a Registered Provider of Social Housing. Within 180 days of such notification, the relevant Borrower shall prepay the whole of the outstanding balance of its Loan, together with any interest and commitment fee accrued up to and including the date of prepayment, provided, however, that if the relevant Borrower regains its status as a Registered Provider of Social Housing within such period of 180 days, it shall no longer be required to prepay the relevant Loan.

## Redemption of Bonds - Further Payment in Respect of Retained Proceeds Par Amount

In the event that a Borrower elects to, or is otherwise required to, prepay the whole of the outstanding balance of its Loan and the Issuer is required to notify such Borrower of the price determined under the Conditions for the redemption of a corresponding principal amount of the Bonds, then the Issuer shall be entitled to also take account of the redemption of such principal amount of the Bonds (if no Commitment is put in place with another Borrower) that shall correspond to the Retained Proceeds Par Amount (being an amount equal to the Retained Proceeds at the time of calculation and, for this purpose, (a) where any Retained Proceeds are at that time invested in Permitted Investments, the amount of such Retained Proceeds shall be taken as the purchase price of the relevant Permitted Investments ignoring any gains or losses in respect of those Permitted Investments since the date of purchase and (b) where the source of any Retained Proceeds is the net sale proceeds of any Retained Bonds which were sold at a discount, the amount of such Retained Proceeds shall be taken as the principal amount of such Retained Bonds), and the redemption price notified to such Borrower shall be increased accordingly.

## Warranties and Covenants

Each Borrower will make various warranties and covenants pursuant to the terms of the relevant Loan Agreement. These warranties and covenants include, inter alia, the following:

## Information Covenants

Each Borrower must supply to the Issuer and the Security Trustee not later than 180 days after the end of each relevant financial year (i) a copy of the consolidated audited financial statements of the Original Borrower, and the standalone audited financial statements of the relevant Borrower, for such financial year; (ii) a certificate setting out, among other things, calculations in respect of the Asset Cover Test and the Interest Cover Test substantially in the form set out in the Loan Agreement (the Compliance Certificate) signed by two Authorised Signatories of such Borrower; and (iii) a certificate setting out, among other things, a summary of the additions, withdrawals and substitutions of Mortgaged Properties which have taken place during the preceding financial year substantially in the form set out in the Loan Agreement (the Security Adjustment Certificate) signed by two Authorised Signatories of such Borrower.

Each Borrower must, following receipt of a notice from the Issuer stating that it intends to sell any Retained Bonds, supply to the Issuer and the Bond Trustee not later than three Business Days prior to the date of such sale, a certificate setting out, among other things, calculations in respect of the asset cover ratio substantially in the form set out in the Loan Agreement (the Retained Bond Compliance Certificate) signed by two Authorised Signatories of such Borrower confirming whether, immediately following such sale, the Borrowers will be in compliance with the Asset Cover Test.

The Original Borrower has undertaken, and each Additional Borrower will undertake, to comply with the provisions of the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority as regards the disclosure of "inside information" relating to the relevant Borrower and to the Bonds (or any Further Bonds), as if it were the issuer of the Bonds (or Further Bonds, as applicable).

## Negative Pledge

The Borrowers shall not create or allow to exist any Security Interest on any assets which are Security Assets, except as permitted by the relevant Loan Agreement, which includes (or will include) the Security Interests created pursuant to, inter alia, the Security Trust Deed and the Legal Mortgages and any Security Interests created with the prior written consent of the Issuer or by operation of law.

Security Assets means all assets, rights and property of the relevant Borrower which is the subject of any security created by the Legal Mortgages.

## Mortgaged Properties

Each Borrower shall obtain any authorisation or licence required in order to enable the Security Trustee pursuant to the powers of enforcement conferred on it by the Security Documents to sell vacant Mortgaged Properties and maintain insurances on and in relation to its Mortgaged Properties.

## Covenants

Each Borrower shall, unless the Security Trustee otherwise agrees in writing, comply in all material respects with any covenants or restrictive covenants relating to a Mortgaged Property which are binding on it.

## Guarantee and Indemnity

Pursuant to the terms of the Original Loan Agreement and the corresponding provisions of each Additional Loan Agreement, each Borrower has (or will have) irrevocably and unconditionally:
(a) guaranteed to the Issuer the punctual performance by each other Borrower of all such Borrowers' obligations under, inter alia, their respective Loan Agreements, the Security Trust Deed and their respective Legal Mortgages, other than each other Borrowers' obligations to repay principal and any prepayment premium thereon pursuant to their respective Loan Agreements (such amounts being, the Guaranteed Interest and Fee Amounts);
(b) undertaken with the Issuer that, whenever any other Borrower does not pay any Guaranteed Interest and Fee Amounts when due under its respective Loan Agreement, the Security Trust Deed or its respective Legal Mortgages, it must, immediately on demand by the Security Trustee and/or the Issuer, pay the Guaranteed Interest and Fee Amounts as is if it were the principal obligor;
(c) undertaken with the Issuer that, to the extent that the proceeds of the enforcement of the Underlying Security are insufficient to satisfy the Borrowers' obligations under their respective Loan Agreements in full (the shortfall being, the Guaranteed Principal Amount), it must, immediately on demand by the Security Trustee and/or the Issuer, pay the Guaranteed Principal Amount as if it were the principal obligor; and
(d) agreed to indemnify the Issuer immediately on demand against any loss or liability suffered by the Issuer if any obligation guaranteed by it is or becomes illegal or invalid.

## Asset Cover Ratio

Pursuant to the relevant provisions of each Loan Agreement, the Borrower shall procure that at all times the sum of:
(a) the Minimum Value of the Properties forming part of the Issuer's Designated Security;
(b) the Retained Proceeds Par Amount; and
(c) the Charged Cash,
will not be less than the Aggregate Funded Commitment, provided however, that from and including the Final Charging Date, the Retained Proceeds Par Amount shall be deemed to be zero for the purpose of determining the Borrowers' compliance with the Asset Cover Test (the Asset Cover Test).

## Interpretation

For these purposes:
Aggregate Funded Commitment means the aggregate amount of the Commitments under all Loan Agreements, less the aggregate principal amount of Retained Bonds held by or on behalf of the Issuer;

Designated Security means the assets, rights and property mortgaged or charged or assigned or the subject of any security created pursuant to any Security Document, the proceeds of which are allocated to secure the repayment of all moneys, liabilities and obligations owing by the Borrowers to the Issuer under the Loan Agreements;

Final Charging Date means, in relation to the Original Commitment, the date falling six months after the Original Issue Date; in relation to the New Yorkshire Commitment, the date falling six months after
the New Bond Issue Date; and, in relation to any Further Commitment, the date (if any) as agreed between the Lender, the Borrower and the Security Trustee;

## Minimum Value means:

$\left(\frac{A}{105}+\frac{B}{115}\right) \times 100$
where:
$A=\quad$ the Value of the residential EUV-SH Charged Properties determined on the basis of EUV-SH; and
$B=\quad$ the Value of the residential MV-ST Charged Properties determined on the basis of MV-ST.
The Properties forming part of the Issuer's Designated Security shall each be treated as EUV-SH Charged Properties for the purpose of determining the Minimum Value unless and until a Value, determined on the basis of MV-ST, is given by a Valuer in respect of any such Property and the Valuer has confirmed that it has reviewed a Certificate of Title in respect of such Property certifying that it may be disposed of by the relevant Borrower on an unfettered basis (meaning subject only to any existing tenancies disclosed in the Certificate of Title but not subject to any security interest, option or other encumbrance or to any restriction preventing or restricting its sale to, or use by, any person for residential use);

Property means all estates or interests of a Borrower in any freehold, heritable or leasehold property wheresoever situate now or in future belonging to it and all buildings, fixtures, fittings (other than tenants fixtures and fittings) and fixed plant and machinery from time to time thereon (and Properties shall be construed accordingly); and

Retained Proceeds Par Amount means an amount equal to the Retained Proceeds at the time of calculation and, for this purpose, (a) where any Retained Proceeds are at that time invested in Permitted Investments, the amount of such Retained Proceeds shall be taken as the purchase price of the relevant Permitted Investments ignoring any gains or losses in respect of those Permitted Investments since the date of purchase and (b) where the source of any Retained Proceeds is the net sale proceeds of any Retained Bonds which were sold at a discount, the amount of such Retained Proceeds shall be taken as the principal amount of such Retained Bonds; and

Value means, at any time and in relation to the Mortgaged Properties, the value of those properties as shown in the then latest Full Valuation Report or Desk Top Valuation Report on the basis of EUV-SH or, as the case may be, MV-ST (provided that if any Mortgaged Property or part thereof is sold pursuant to a Right to Buy, the Value of the relevant Mortgaged Property shall, for the purposes of this definition and with effect from the date of the relevant sale or release, be zero (if the entire relevant Mortgaged Property has been sold) or (if only part of the relevant Mortgaged Property has been sold) shall be the proportion of the value of the Mortgaged Property which has not been sold pursuant to the relevant Right to Buy).

## Interest Cover Test

Pursuant to the relevant provisions of each Loan Agreement, the Borrowers have undertaken to ensure that in respect of each period of three consecutive financial years, the Aggregate Operating Surplus in respect of that period shall not be less than 110 per cent. of the Aggregate Net Interest Payable for that period, such test being the Interest Cover Test.

The financial undertaking set out above shall be tested annually by reference to the relevant standalone audited financial statements of the Borrowers for such financial year, and the two immediately preceding financial years.

For these purposes:
Aggregate Operating Surplus means the aggregate of the Operating Surplus of each Borrower;
Aggregate Net Interest Payable means the aggregate of the Net Interest Payable of each Borrower;
Interest Payable means, in respect of each Financial Year, all interest and other loan servicing charges as shown in the statement of comprehensive income comprised in the relevant audited financial statements of the relevant Borrower for that Financial Year, and after excluding:
(a) any capitalised interest;
(b) any items recorded from unwinding discounts on balances recorded at present value or fair value;
(c) any items recorded as a result of changes to the level of discount on balances recorded at present value or fair value;
(d) in relation to any scheme accounted for as a defined benefit pension scheme, any amounts recognised as an expense;
(e) any amounts recorded as an expense from the re-measurement or de-recognition of financial instruments;
(f) any interest expense arising from a right to use an asset, unless that right is provided by virtue of a finance lease; and
(g) any loss arising on the valuation of financial instruments recorded at fair value,
in each case, as determined by reference to the relevant audited financial statements of the relevant Borrower for that Financial Year (and the relevant Borrower shall procure that the relevant amounts applicable to each limb of this definition as set out above are clearly identifiable in the relevant audited financial statements or in the notes to such audited financial statements). For the avoidance of doubt, this definition:
(i) includes (without double counting) other loan service charges, any credit in respect of amortisation of premiums on any bonds issued at a premium, any expense in respect of discounts unwound on any bonds issued at a discount; and
(ii) is calculated after deducting any interest costs which have been treated as capital items and added to the carrying value of any item of property, plant and equipment,
in each case as determined by reference to the relevant audited financial statements of the relevant Borrower for that Financial Year";

Interest Receivable means, in respect of each Financial Year, interest receivable by the relevant Borrower for that Financial Year as shown in the statement of comprehensive income comprised in the relevant audited financial statements of the relevant Borrower for that Financial Year and as defined by the SORP, after excluding:
(a) any items recorded from unwinding discounts on balances recorded at present value or fair value;
(b) any items recorded as a result of changes to the level of discount on balances recorded at present value or fair value;
(c) any amounts recorded as a credit in interest receivable in relation to any scheme accounted for as a defined benefit pension scheme;
(d) any amounts recorded as an income from the re-measurement or de-recognition of financial instruments; and
(e) any gain arising on the valuation of financial instruments recorded at fair value,
in each case, as determined by reference to the relevant audited financial statements of the relevant Borrower for that Financial Year (and the relevant Borrower shall procure that the relevant amounts applicable to each limb of this definition as set out above are clearly identifiable in the relevant audited financial statements or in the notes to such audited financial statements)";

Net Interest Payable means, in respect of the relevant Borrower and for any period, Interest Payable less Interest Receivable; and

Operating Surplus means, in respect of each Financial Year, the operating surplus or deficit (including any surplus or deficit arising from outright sale) of the relevant Borrower for that Financial Year as shown in or derived from the statement of comprehensive income comprised in the relevant audited financial statements of the relevant Borrower for that Financial Year, prepared in accordance with the SORP, and adjusted (but only to the extent that such amounts are reflected in the operating surplus or deficit and by the amounts shown in the relevant audited financial statements of the relevant Borrower for that period) by:
(a) adding back any amounts charged for depreciation in respect of housing properties including any expense arising from the early replacement of housing property components (and for the avoidance of doubt, there shall be no add back for depreciation arising from assets which are not housing properties or parts thereof, and there shall be no adjustment for impairment charges or credits);
(b) deducting any amounts recorded as income in relation to amortisation or write-off of capital grant;
(c) deducting any amounts recognised as an income and adding back any amounts recognised as an expense, in each case as a result of a fair value increase or decrease in the carrying value of investment property;
(d) deducting any amounts recognised as an income and adding back any amount recognised as an expense, in each case as a result of a fair value increase or decrease in the carrying value of financial instruments recorded at fair value;
(e) in relation to any defined benefit pension scheme where the relevant Borrower's external auditors consider that there is insufficient information available to use defined benefit accounting for a multi-employer defined benefit plan and as a result the plan is accounted for in the relevant audited financial statements of the relevant Borrower as if it were a defined contribution plan in accordance with paragraph 28.11 of FRS 102, deducting the amounts payable for that Financial Year in relation to remedying a deficit in the relevant scheme, adding back any amounts recognised as an expense and deducting any amounts recognised as an
income in the statement of comprehensive income for that Financial Year, in either case as a result of the requirements of paragraph 28.11A of FRS 102. For the avoidance of doubt, the operating surplus for that Financial Year should not include any income or expense arising from the requirements of paragraph 28.11A of FRS 102;
(f) in relation to any defined benefit pension scheme which the accounting policy adopted by the relevant Borrower in the audited financial statements delivered pursuant to clause 13.2 in respect of any previous Financial Year had been to account for the scheme in accordance with paragraph 28.11 of FRS 102, but the accounting policy adopted by the relevant Borrower in the most recent audited financial statements of the relevant Borrower for that Financial Year is to account for the scheme in accordance with paragraphs 28.14 to 28.28 of FRS 102, adding back any expense recorded in such operating surplus for that Financial Year in relation to such scheme in compliance with section 28 of FRS 102 and deducting the amounts payable by the relevant Borrower in relation to the relevant scheme, in each case only to the extent not already recognised as an expense within operating surplus for that Financial Year;
and to the extent not already included in the operating surplus or deficit (and therefore without double counting):
(g) adding any surplus or deducting any deficit arising on the disposal of properties as shown in the statement of comprehensive income comprised in the relevant audited financial statements of the relevant Borrower for that Financial Year (and for the avoidance of doubt, excluding any surplus or deficit on disposals not pertaining to properties);
(h) in relation to any asset reflected in the statement of financial position as a right to use an asset, unless that right is provided by virtue of a finance lease, deducting the amounts payable under the lease;
(i) adding any amounts recorded as income in relation to gift aid receipts; and
(j) in circumstances where an investment property is sold in that Financial Year, adding back the value of such sold investment property as determined by reference to the audited financial statements of the relevant Borrower for the immediately preceding Financial Year and deducting the cost of such sold investment property,
in each case, as determined by reference to the relevant audited financial statements of the relevant Borrower for that Financial Year (and the relevant Borrower shall procure that the relevant amounts applicable to each limb of this definition as set out above are clearly identifiable in the relevant audited financial statements or in the notes to such audited financial statements).

For the avoidance of doubt, a breach by the Borrowers of the Interest Cover Test will not constitute a Loan Event of Default. However, it may result in a requirement for one or more members of the Original Borrower Group to purchase some or all of the Bonds in the event that the Bondholders approve the exercise of the Bondholder Put Option in accordance with Condition 9.10 (Bondholder Put Option).

## Accounting Policies

Pursuant to the Loan Agreements, the Borrowers have covenanted that they will prepare all information to be given to the Issuer for the purposes of showing compliance with the Interest Cover Test in accordance with applicable law, regulations and the most recent edition of the SORP and will ensure that it fairly represents the relevant Borrower's financial condition.

The Borrowers and the Issuer shall negotiate in good faith with a view to agreeing such adjustments and/or amendments to the Interest Cover Test which may be necessary or desirable in the event of any
change in the accounting principles or policies applied by the Borrowers consequent upon any change in any SORP or generally accepted accounting principles in England so that they have substantially the same effect as prior to the change.

In the event that the Borrowers and the Issuer cannot agree what adjustment and/or amendment is appropriate on a date not later than the earlier of 180 days after the end of the relevant accounting period and one week after the date of the auditors' report on the accounts in respect of such period (or such longer period as the Borrowers and the Issuer shall agree), there shall be no change to the basis on which the financial covenants are calculated.

The Issuer shall not consent to any such adjustment or amendment without the prior written consent of the Bond Trustee. For the purposes of giving its consent, the Bond Trustee shall be entitled to rely without further enquiry upon a certificate from the Borrowers' auditors certifying, in form and substance satisfactory to the Bond Trustee, that in the opinion of such auditors the financial figures contained in the Interest Cover Test and extracted from the audited financial statements after such adjustment and/or amendment reflect the equivalent accounting definitions to the financial figures extracted from the audited financial statements prior to such adjustment and/or amendment and prior to such change in accounting principles or policies.

The Borrowers will not alter their financial year end date without the consent of the Issuer.

## Substitution and Release of Mortgaged Properties and Statutory Disposals

## Substitution

At the request and expense of a Borrower, the Security Trustee shall (subject to receiving instructions from the Issuer to effect such release, and an amended Designated Properties Schedule from such Borrowers and the Issuer in accordance with the Security Trust Deed) release from the relevant Security Documents (and/or reallocate, if applicable) such of the Properties (the Released Properties) forming part of the Issuer's Designated Security and substitute for the Released Properties other Properties (each, a Substitute Property) as may be selected by such Borrower. The Issuer will be required to give instructions to the Security Trustee approving such release, provided that such Borrower satisfies the conditions precedent specified in the relevant Loan Agreement in relation to the Substitute Properties. Such conditions precedent include, inter alia, (a) a completed Substitute Property Certificate certifying, inter alia, that the relevant Substitute Property is a residential property of a type and nature that is usually owned by Registered Providers of Social Housing, that, immediately following such release (and/or reallocation, if applicable), the Asset Cover Test will not be breached as a result of the substitution of the relevant Mortgaged Properties and that no Event of Default or Potential Event of Default has occurred and is continuing, (b) a Valuation Report in respect of each Substitute Property and (c) a Certificate of Title in respect of the Substitute Properties.

## Cash Security

The Borrowers may deposit the proceeds of disposal of Mortgaged Properties which are released from charge under the Security Trust Deed into the Ongoing Cash Security Account of the Issuer for the purpose of maintaining the Asset Cover Test. The Charged Cash may be withdrawn from the Ongoing Cash Security Account (a) to be applied by the relevant Borrower (provided, for the avoidance of doubt, that the relevant Borrower continues, at such time, to be a Registered Provider of Social Housing) in the acquisition of a Substitute Property or (b) to the extent that such withdrawal would not cause a breach of the Asset Cover Test.

Notwithstanding the above, the Borrowers may, at any time, deposit, or arrange for the deposit of, any other money into the Ongoing Cash Security Account for the purposes of satisfying the Asset Cover Test.

The Original Borrower has acknowledged (and each Additional Borrower will be required to acknowledge) that the money standing to the credit of the Ongoing Cash Security Account shall be charged in favour of the Bond Trustee pursuant to the terms of the Issuer Security Deed.

The Original Borrower has also acknowledged (and each Additional Borrower will be required to acknowledge) that the Issuer may invest all or any part of the Charged Cash in Permitted Investments in accordance with the Custody Agreement and that, as a result of any gains or losses made by the Issuer in respect of such Permitted Investments and any income received thereon (which shall, for the avoidance of doubt, be credited to the Ongoing Cash Security Account), the amount of such Charged Cash may be greater or less than the amount deposited in the Ongoing Cash Security Account by such Borrower. The Original Borrower has acknowledged (and each Additional Borrower will be required to acknowledge) that it shall not have any recourse to the Issuer in respect of any losses realised by the Issuer in respect of the Charged Cash as a result of investment in any Permitted Investments.

Following the redemption in full of the Bonds, the Issuer shall return any amount standing to the credit of the Ongoing Cash Security Account to the Borrowers, to the extent that such balance has not otherwise been applied in accordance with the terms of the Bond Trust Deed.

## Release and reallocation

At the request and expense of a Borrower, the Security Trustee shall release (subject to receiving instructions from the Issuer to effect such release and an amended Designated Properties Schedule from the Borrowers and the Issuer in accordance with the Security Trust Deed) from the relevant Security Documents (and/or reallocate, if applicable) such Properties forming part of the Issuer's Designated Security as may be selected by such Borrower. The Issuer will be required to give instructions to the Security Trustee approving such release, provided that such Borrower delivers to the Issuer and the Security Trustee a completed Property Release Certificate, certifying that, immediately following such release (and/or reallocation, if applicable), the Asset Cover Test will not be breached as a result of the release (and/or reallocation, if applicable) of such part of the Issuer's Designated Security and that no Event of Default or Potential Event of Default has occurred and is continuing.

## Statutory Disposals

A Borrower shall have the right to withdraw Property from the Issuer's Designated Security pursuant to any Statutory Disposal and the relevant Borrower shall deliver to the Issuer and the Security Trustee, as soon as reasonably practicable after it has received notice of such Statutory Disposal, a completed Statutory Disposal Certificate, certifying that the relevant withdrawal relates to a Statutory Disposal and confirming the effect on the Asset Cover Test of such withdrawal and the arrangements for resolving the breach of the Asset Cover Test (if any).

## Additional Properties

Pursuant to Clause 3.3 (Conditions Precedent) of the Security Trust Deed (see "Additional Security" below), on or prior to creating a Legal Mortgage in respect of any Property for the benefit of the Issuer, the relevant Borrower must, in respect of such security, provide the conditions precedent documents specified in the Security Trust Deed. In addition, pursuant to the Loan Agreements, each Borrower has agreed that it shall not enter into any further Legal Mortgage in respect of any Property for the benefit of the Issuer (or allocate any Property as part of the Issuer's Designated Security), unless, in respect of such security, it provides to the Issuer (a) a completed Additional Property Certificate confirming that, inter alia, the proposed Additional Properties are residential properties of a type and nature that are usually owned by Registered Providers of Social Housing, (b) Full Valuation Reports in respect of each Additional Property, (c) a Certificate of Title in respect of each tranche of Additional Properties charged and (d) the other Additional Property conditions precedent set out in the relevant Loan Agreement.

## Valuation Reports

## Full Valuation Reports and Desk Top Valuation Reports

In accordance with the provisions of the relevant Loan Agreement, each Borrower shall deliver, or procure the delivery, to the Issuer and the Security Trustee of:
(a) a Full Valuation Report prepared by a Valuer which values all Charged Properties on a full valuation basis at least once in every period of five calendar years. The next such Full Valuation Report must be delivered in the period between 31 March 2025 and the date falling 60 days thereafter unless the Issuer, the Security Trustee and the Borrowers agree otherwise, thereafter within 60 days of each consecutive fifth anniversary of the date on which the Full Valuation Report was previously provided; and
(b) a Desk Top Valuation Report prepared by a Valuer which values all the Charged Properties on a "desk-top" basis in the period between 31 March and the date falling 120 days thereafter in each year other than a year in respect of which such Charged Properties have been valued on a full valuation basis through the delivery of a Full Valuation Report. The next such Desk Top Valuation Report must be delivered within 120 days of 31 March 2022.

Pursuant to the Conditions, the Issuer shall at any time (if so instructed by any Bondholder) procure that the Borrowers deliver, or procure the delivery, to the Issuer and the Bond Trustee of a Full Valuation Report or a Desk Top Valuation, as so requested, prepared by a Valuer. On any request by the Issuer, the Borrowers shall procure delivery of such Full Valuation Report or Desk Top Valuation Report, as the case may be, to the Issuer, the Bond Trustee and the relevant Bondholder, subject to such indemnity or pre-funding as to the costs of preparing the same as the Issuer and/or the Borrowers shall require from the relevant Bondholder.

For these purposes Valuer means Savills Advisory Services Limited or such other reputable firm of surveyors which is a member of the Royal Institute of Chartered Surveyors as may be selected by the Borrowers and approved by the Security Trustee from time to time.

## Loan Events of Default and Enforcement

## Loan Event of Default

Each of the following (which is set out in more detail in each Loan Agreement) is a Loan Event of Default:
(a) Non-payment: The Borrower does not pay on the due date any amount payable by it under the Finance Documents in the manner required under the Finance Documents, unless the nonpayment continues for a period of not more than seven days in the case of principal and not more than fourteen days in the case of interest.
(b) Breach of other obligations: The Borrower fails to perform or observe any of its obligations under the Finance Documents (other than as referred to in (a) above, and (j) below, or a breach of the Interest Cover Test) and (except in any case where, in the opinion of the Security Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Security Trustee on the relevant Borrower of notice requiring the same to be remedied.
(c) Other non-payment: (A) Any other present or future indebtedness of the Borrower for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (B) any such
indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Borrower fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned in (A), (B) or (C) above in this paragraph (c) have occurred equals or exceeds $£ 10,000,000$ or its equivalent in other currencies (as reasonably determined by the Security Trustee) (and provided further, for the avoidance of doubt, that the amounts mentioned in (A), (B) or (C) above in this paragraph (c) shall exclude the amount of any Public Sector Subsidy except for any Public Sector Subsidy which is or becomes due and payable to the relevant grant making body or organisation).
(d) Enforcement Event: An Enforcement Event occurs under a Finance Document.
(e) Winding-up: Any order is made by any competent court or resolution passed for the winding up or dissolution of the Borrower save for the purposes of a Permitted Reorganisation or a reorganisation on terms previously approved in writing by the Security Trustee.
(f) Cessation of Business: The Borrower ceases or threatens to cease to carry on the whole or, as determined by the Security Trustee, substantially the whole of its business, save for the purposes of a Permitted Reorganisation or a reorganisation on terms previously approved in writing by the Security Trustee.
(g) Failure or inability to pay debts: The Borrower stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent.
(h) Insolvency: Any of the insolvency related events occurs or proceedings are taken as referred to in Clause 16.1.8 (Insolvency) of the 2014 Yorkshire Loan Agreement (or the corresponding clause in the relevant Additional Loan Agreement, as applicable) (which exclude any Permitted Reorganisation or reorganisation on terms previously approved in writing by the Security Trustee).
(i) Unlawfulness: It is or becomes unlawful for the Borrower to perform any of its obligations under the Finance Documents.
(j) Breach of Asset Cover Test: The Borrower fails to perform its obligations under Clause 14.1 (Asset Cover Test) of the 2014 Yorkshire Loan Agreement (or the corresponding clause in the relevant Additional Loan Agreement, as applicable) and (except in any case where, in the opinion of the Security Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 60 days next following the service by the Security Trustee on the Borrower of notice requiring the same to be remedied.

For these purposes Permitted Reorganisation means any amalgamation, merger, consolidation or transfer of engagements (whether entering into or acceptance thereof) of the Borrower's property (including, for the avoidance of doubt, any statutory procedure as provided for under the Co-operative and Community Benefit Societies Act 2014) made between the relevant Borrower and any other entity (Party B) provided that (i) Party B is a Registered Provider of Social Housing and any new amalgamated entity to be created as a result thereof will be a Registered Provider of Social Housing; (ii) following any such amalgamation, merger, consolidation or transfer of engagements in respect of which the property of the relevant Borrower (including, for the avoidance of doubt, any liabilities) shall become vested in Party B or a new amalgamated entity, Party B or such new amalgamated entity will thereafter be responsible for all the liabilities of the relevant Borrower pursuant to the Co-operative and Community

Benefit Societies Act 2014; and (iii) a certificate executed by two authorised signatories of the relevant Borrower or Party B confirming the above is provided to the Security Trustee.

## Obligation to Notify the Issuer and the Security Trustee

Each Borrower shall notify the Issuer and the Security Trustee of any Loan Event of Default (and the steps, if any, being taken to remedy it) or potential Loan Event of Default promptly upon becoming aware of the same. The Issuer shall also notify the Security Trustee of any Loan Event of Default or potential Loan Event of Default promptly upon becoming aware of the same (unless the Issuer is aware that a notification has already been provided by the relevant Borrower) including, but not limited to, the nonpayment by a Borrower of any amounts owing to the Issuer under the relevant Loan Agreement on the due date for payment thereof.

## Loan Event of Default Notice

Following the occurrence of a Loan Event of Default (but in the case of the happening of any of the events described in paragraphs (b) (Breach of other obligations), (c) (Other non-payment) and (i) (Unlawfulness) above, only if the Security Trustee shall have certified in writing to the relevant Borrower that such event is, in its opinion, materially prejudicial to the interests of the Issuer), the Issuer may declare by notice to the relevant Borrower either:
(a) that the security for the relevant Loan has become, whereupon the security for the relevant Loan shall become, immediately enforceable (and the Issuer shall notify the Security Trustee of the same in accordance with the Security Trust Deed); and/or
(b) (irrespective of whether a notice to the effect set out in (a) shall have already been given) that the relevant Loan has become due and repayable, whereupon that Loan shall become immediately due and repayable at the outstanding balance thereof together with accrued interest, premium (if any) and any other amounts and the security therefore shall become immediately enforceable.

## Enforcement

If the security constituted under any Security Documents for the benefit of the Issuer becomes enforceable as a result of the service of a notice by the Security Trustee pursuant to the terms of a Loan Agreement, then the Security Trustee, any appointee or any Receiver (where appropriate) shall hold the moneys arising from any sale, calling in, collection or conversion under, or otherwise arising from the exercise of, the powers of conversion contained in the Security Documents after the security has become enforceable upon trust to apply the same:
(a) first, in payment of the relevant proportion of all Liabilities for which the Borrower or the Issuer is accountable to the Security Trustee, any appointee or any Receiver in accordance with the Security Documents in priority to all amounts then due and payable in relation to the relevant Loan;
(b) second, in or towards payment to the Issuer of all interest then due and remaining unpaid on the relevant Loan and all commitment fees then due and remaining unpaid;
(c) third, in or towards payment to the Issuer of all principal and premium (if any) then due and remaining unpaid in respect of the relevant Loan;
(d) fourth, in or towards payment to the Issuer of all other amounts then due and remaining unpaid under the relevant Loan Agreement;
(e) fifth, to the extent not provided by clause (a) above in payment of all other undischarged remuneration, costs, charges, expenses and liabilities of the Security Trustee; and
(f) the balance, if any, to the relevant Borrower.

## Taxes

All payments by the Borrowers under the Loan Agreements shall be made free and clear of and without deduction or withholding whatsoever for or on account of any taxes, except, to the extent that the relevant Borrower is required by law to make payment subject to the deduction or withholding of any taxes. If any tax or amounts in respect of tax are required to be deducted, or any other deductions must be made, from any amounts payable or paid by a Borrower, the relevant Borrower shall pay such additional amounts as may be necessary to ensure that after the making of the deduction or withholding which is required, the Issuer receives and retains (free from any liability in respect of such deduction or withholding) a net amount equal to the full amount which it would have received and retained had payment not been made subject to tax.

If, as a result of any actual or proposed change in tax law, the Issuer determines (in its reasonable commercial judgement) that it would on the next following Interest Payment Date be required to make a withholding or deduction in respect of payments to be made by the Lender to the Bondholders pursuant to the Conditions, the Issuer shall notify the Borrowers of the same. Each Borrower may (but, for the avoidance of doubt, shall not be obliged to), in its sole discretion, pay to the Issuer its pro rata share of such additional amounts as will enable the Lender (after such withholding or deduction) to pay to the Bondholders the amounts of principal and interest which they would have received in respect of the Bonds in the absence of such withholding or deduction. Each Borrower shall continue to pay such additional amounts to the Issuer unless and until the relevant Borrower delivers to the Issuer a notice stating that it shall cease to make such additional payments with effect from the next following Interest Payment Date.

In the event that one or more Borrowers does not choose to make such additional payments (or indicates that it intends to cease to make such additional payments), the remaining Borrowers may (but, for the avoidance of doubt, shall not be obliged to), in their sole discretion, pay to the Issuer such increased amount as will enable the Issuer (after such withholding or deduction) to pay to the Bondholders the amounts of principal and interest which they would have received in respect of the Bonds in the absence of such withholding or deduction. If the remaining Borrowers (either collectively or individually) do not choose to make such payments and as a result the Issuer will not have sufficient funds to pay the additional amounts in respect of the Bonds, the Issuer shall not opt to pay such additional amounts (or, having so opted, will notify the Bond Trustee and the Bondholders of its intention to cease paying such additional amounts) and the Bonds shall be redeemed in accordance with Condition 9.3 (Early Redemption for Tax Reasons), whereupon each Borrower shall be required to prepay the outstanding balance of its Loan, together with accrued interest and accrued commitment fee thereon up to and including the date of redemption.

## Governing Law

The Loan Agreements, and any non-contractual obligations or matters arising from or connected with them, shall be governed by, and construed in accordance with, English law.

## Description of the Legal Mortgages and the Security Trust Deed

The Issuer's obligations in respect of the Bonds are secured pursuant to the Issuer Security Deed in favour of the Bond Trustee for the benefit of itself and the Bondholders and the other Issuer Secured Creditors by the Issuer Security, which includes an assignment by way of security of the Issuer's rights, title and interest arising under the Legal Mortgages and the Security Trust Deed.

The following description of the Legal Mortgages and the Security Trust Deed consists of a summary of certain provisions of the Legal Mortgages and the Security Trust Deed and is qualified by reference to the detailed provisions thereof. The Legal Mortgages and the Security Trust Deed are not, however, incorporated by reference into, and therefore do not form part of, this Prospectus.

Definitions used in this section but not otherwise defined in this Prospectus have the meanings given to them in the Legal Mortgages and/or the Security Trust Deed.

## LEGAL MORTGAGES

The Original Borrower has, in relation to the Existing Properties, entered into Legal Mortgages dated 31 October 2014 and 23 December 2019, and the Borrowers shall, in relation to any additional properties to be charged as underlying security for the Bonds, enter into further Legal Mortgages pursuant to the Security Trust Deed or the Loan Agreements, as applicable.

## Fixed Legal Mortgage

Pursuant to the Legal Mortgages, the Original Borrower, as security for the payment of all Secured Obligations, has charged and the other Borrowers will charge, with full title guarantee by way of first fixed legal mortgage in favour of the Security Trustee as trustee for, inter alios, itself and the Issuer the Mortgaged Property set out therein together with all buildings and Fixtures, erections and structures thereon or in the course of construction thereon, the proceeds of sale of all or any part thereof and (so far as the same are capable of being mortgaged) the benefit of any covenants for title given or entered by any predecessor in title of the relevant Borrower and any moneys paid or payable in respect of such covenants.

## Fixed Charge

Pursuant to the Legal Mortgages, the Original Borrower, as security for the payment of all Secured Obligations has charged and the other Borrowers will charge, with full title guarantee by way of first fixed charge in favour of the Security Trustee as trustee for, inter alios, itself and the Issuer:
(a) all plant and machinery now or in the future owned by the relevant Borrower and its interest in any plant and machinery in its possession which form part of or are operated by the relevant Borrower on the Mortgaged Property;
(b) all benefits in respect of the Insurances and all claims and returns of premiums in respect thereof;
(c) the benefit of all present and future licences, consents and authorisations (statutory or otherwise) held in connection with the Mortgaged Properties and the use of the Security Assets and the right to recover and receive all compensation which may at any time become payable to it in respect thereof; and
(d) if and in so far as the legal mortgage set forth in the section entitled "Fixed Legal Mortgage" above or the assignments set out in the section entitled "Assignment" below shall for any reason be ineffective as legal mortgages or assignments, the assets referred to therein.

## Assignment

Pursuant to the Legal Mortgages, the Original Borrower, as security for payment of the Secured Obligations has covenanted (and the other Borrowers will covenant) that, on the request of the Security Trustee, they shall, following the occurrence of an Enforcement Event which has occurred and is continuing unremedied or unwaived and is not remedied within any applicable grace period, with full title guarantee assign to the Security Trustee for the benefit of itself and, inter alios, the Issuer (to the fullest extent assignable or capable of assignment without first infringing on any contracted provision restricting the same) all of their rights, title and interest in and to:
(a) the personal agreements and covenants by the tenants, lessees, licensees or other parties under the Letting Documents and by all guarantors and all security held by such Borrower from time to time, whether present or future, in respect of the obligations of the tenants, lessees, licensees or other parties under the Letting Documents (including, without limiting the generality of the foregoing, all moneys due and owing to such Borrower or which may become due and owing to such Borrower at any time in the future in connection therewith);
(b) all agreements now or from time to time entered into or to be entered into to enable the charging of the Security Assets and for the sale, letting or other disposal or realisation of the whole or any part of the Security Assets (including, without limiting the generality of the foregoing, all moneys due and owing to such Borrower or which may become due and owing to such Borrower at any time in the future in connection therewith);
(c) all agreements, contracts, deeds, licence, undertakings, guarantees, covenants, warranties, representations and other documents (including all documents entered into now or in the future so as to enable such Borrower to perfect its rights under the Legal Mortgages or any such agreement, contract, deed, licence, undertaking, guarantee, covenant, warranty, representation or other document) entered into by or given to such Borrower in respect of the Mortgaged Properties and all claims, remedies, awards or judgments paid or payable to such Borrower (including, without limitation, all liquidated and ascertained damages payable to such Borrower under the above) in each case relating to the Mortgaged Properties;
(d) all licences held now or in the future in connection with relevant Mortgaged Property and also the right to recover and receive all compensation which may at any time become payable to such Borrower in relation to the relevant Mortgaged Property;
(e) all rights and claims to which such Borrower is or may become entitled in relation to any development, construction project, redevelopment, refurbishment, repair or improvement of or on the relevant Mortgaged Property;
(f) all guarantees, warranties, bonds and representations given or made by, and any rights or remedies against, all or any of the designers, builders, contractors, surveyors, valuers, professional advisers, sub-contractors, manufacturers, suppliers and installers of any Fixtures in respect of the relevant Mortgaged Property; and
(g) all rental income and disposal proceeds in each case relating to the relevant Mortgaged Property which has not been assigned pursuant to (a), (b) or (c) above and the right to make demand for and receive the same.

Each Borrower shall, however, until a Loan Event of Default has occurred and is outstanding under any loan agreement which is secured pursuant to the Security Trust Deed (including the Loan Agreements), be entitled to exercise all its rights under or in connection with such agreements and covenants.

## Representations, Warranties and Undertakings

Pursuant to the Legal Mortgages, each Borrower has made (or will make) various representations in respect of the Mortgaged Properties including as to ownership, planning permission, covenants, security interests, third-party facilities, adverse claims and tenancies. In addition, each Borrower undertakes (or will undertake) to, inter alia, repair, insure, pay or procure the payment of taxes in respect of and comply with all leases in respect of, the Mortgaged Property.

## Enforcement of Security

The Legal Mortgages provide (or will provide) that, upon and after an Enforcement Event has occurred and is continuing (and has not been remedied within any applicable grace period), the security created by the relevant Legal Mortgage will be immediately exercisable and the Security Trustee may enforce all or any part of such security (at the times, in the manner and on the terms it thinks fit) and take possession of and hold or dispose of all or any part of such security subject to the terms of, inter alia, the relevant Loan Agreement.

Each Legal Mortgage further entitles (or will entitle) the Security Trustee and, inter alios, the Issuer to be indemnified out of the Security Assets in respect of, inter alia, all liabilities and expenses properly incurred by them in the execution or purported execution of any of the powers, authorities or discretions vested in them pursuant to such Legal Mortgage.

## Governing Law

The Legal Mortgages are, or will be, governed by and construed in accordance with English law.

## SECURITY TRUST DEED

Pursuant to a Beneficiary Accession Deed dated 31 October 2014, the Issuer became a Beneficiary under the Security Trust Deed in accordance with the Security Trust Deed. The benefit of the security created by the Original Borrower and each Additional Borrower pursuant to the Legal Mortgages is therefore held by the Security Trustee on trust for the benefit of itself and, inter alios, the Issuer on the terms of the Security Trust Deed.

## The Security

## Designation of Security

The Security Trust Deed provides that the Security Trustee, the Borrowers and the Issuer shall agree the allocation of properties which shall comprise the Issuer's Designated Security in respect of the Loan Agreements. All properties which are not Designated Security shall form the Undesignated Security.

## Additional Security

Pursuant to the Security Trust Deed, on or prior to a Borrower creating a further Legal Mortgage for the benefit of the Issuer, the relevant Borrower must deliver to the Security Trustee the documentation relating thereto as set out therein. Such documents must be in the form and substance satisfactory to the Security Trustee and, to the extent that they relate to one or more Loan Agreement, the relevant Borrower.

## Release and Reallocation of Security

Pursuant to the terms of the Security Trust Deed, the Borrowers and the Issuer may agree to amend the Issuer's Designated Security by either removing Designated Security or by designating any

Undesignated Security as the Issuer's Designated Security by, inter alia, delivering an amended Designated Properties Schedule signed by the Borrowers and the Issuer to the Security Trustee. Any such release or reallocation will be subject to the requirements set out in the Loan Agreements (see "Description of the Loan Agreements" above).

At any time prior to the Security Trustee taking any steps to enforce any Undesignated Security, upon receiving instructions from the relevant Borrower, the Security Trustee shall release the benefit of any Security Interest, rights or obligations held by it over the relevant Undesignated Security as security for all or any of the Secured Obligations provided that such Borrower shall have paid to the Security Trustee, or provided for to the satisfaction of the Security Trustee, all Trustee Costs which relate to that Undesignated Security.

## Application of Proceeds

Upon the enforcement of the security constituted by the Security Documents, and after satisfying claims which at law rank in priority to sums owing under or in respect of any of the Relevant Documents, all Proceeds from the Issuer's Designated Security and related Security Assets and all money derived therefrom shall be applied in the following order:
(a) first, in or towards payment of all Relevant Trustee Costs;
(b) secondly, in or towards satisfaction of all monies, liabilities and obligations payable, owing, due or incurred by the relevant Borrower to the Issuer (other than Relevant Trustee Costs) in accordance with the relevant Loan Agreement;
(c) thirdly, by allocating the balance among the Beneficiaries whose Relevant Liabilities have not been fully discharged under clause (b) above pro rata to their unpaid liabilities so that the amount allocated to each Beneficiary shall be applied in satisfaction when due of the Relevant Liabilities owed to such Beneficiary arising in connection with the relevant Relevant Document in the order of priority set out therein (and so that, in each case, any surplus remaining after payment of all such Relevant Liabilities when due shall be re-allocated among the remaining Beneficiaries mutatis mutandis in accordance with the foregoing provisions);
(d) fourthly, to the extent not recovered under (a), in or towards payment of all Trustee Costs; and
(e) fifthly, the balance, if any, to the relevant Borrower.

## Enforcement of Security

Pursuant to the Security Trust Deed, the Security Trustee shall only be required to take action to enforce or protect the security in respect of the Loan Agreements if so instructed by the Issuer (subject to it being indemnified and/or secured and/or prefunded to its satisfaction).

In respect of instructions given by the Issuer, the Issuer has assigned its rights under, inter alia, the Security Trust Deed and the Legal Mortgages to the Bond Trustee and, pursuant to Condition 6.3 (Loan Agreements, Legal Mortgages and Security Trust Deed Consents Covenant), has covenanted not to take any action or direct the Security Trustee to take any action pursuant thereto except with the prior consent of the Bond Trustee. The Bond Trustee may, but is not obliged to, seek the consent of the Bondholders in accordance with the Bond Trust Deed prior to giving any such consent.

In enforcing the Issuer Security (including the Issuer's rights, title and interests in the Security Trust Deed and the Legal Mortgages insofar as they relate to the Bonds) the Bond Trustee may act in its discretion. It is, however, required to take action, pursuant to Condition 12.2 (Enforcement), where so
directed by the requisite majority of the Bondholders provided, however, that it is secured and/or indemnified and/or pre-funded to its satisfaction.

## Governing Law

The Security Trust Deed is governed by and shall be construed in accordance with English law.

## Description of the Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement

The Issuer has appointed Citibank, N.A., London Branch a banking corporation organised under the laws of the State of New York and operating through its branch in London at Citigroup Centre, 25 Canada Square, London E14 5LB, United Kingdom, as its Account Bank pursuant to the Account Agreement, its Custodian pursuant to the Custody Agreement and its Retained Bond Custodian pursuant to the Retained Bond Custody Agreement in relation to the issue of the Bonds.

## Citibank, N.A., London Branch

Citibank, N.A, is a national banking association established under the laws of United States of America on 17 July 1865 with Charter number 1461 and having its principal office at 388 Greenwich Street, New York, NY 10013, United States of America, and is acting through its London Branch, Citibank, N.A., London Branch, with its business address at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom (registered branch number BR001018). The London Branch is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the Prudential Regulation Authority. It is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority.

The following description of the Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement consists of a summary of certain provisions of the Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement and is qualified by reference to the detailed provisions thereof. The Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement are not, however, incorporated by reference into, and therefore do not form part of, this Prospectus.

Definitions used in this section but not otherwise defined in this Prospectus have the meanings given to them in the Account Agreement, the Custody Agreement and the Retained Bond Custody Agreement.

## ACCOUNT AGREEMENT

## Accounts

The Account Bank maintains three accounts for the Issuer in respect of the Bonds: the Transaction Account, the Initial Cash Security Account and the Ongoing Cash Security Account (together the Payment Accounts).

## Initial Deposits

The Issuer shall, upon receipt, credit to the Ongoing Cash Security Account all amounts received from the Borrowers for deposit into such account pursuant to the terms of the relevant Loan Agreement.

## Retained Bond Deposits

Pursuant to the Account Agreement, the Issuer shall, upon the sale of any Retained Bonds:
(a) credit the Initial Cash Security Account with the net sale proceeds of such Retained Bonds (if any) (less any Retained Bond Premium Amount), to the extent that such amount is not paid directly to a Borrower pursuant to, and in accordance with, a Loan Agreement; and
(b) credit the Transaction Account with the Retained Bond Premium Amount (if any), pending application in accordance with the Conditions.

## Future Deposits and Withdrawals

The Issuer has covenanted, pursuant to the Issuer Security Deed that:
(a) prior to the enforcement of the Issuer Security, payments from the Initial Cash Security Account shall only be made to fund:
(i) the Commitment pursuant to, and in accordance with the terms of, the Loan Agreements;
(ii) payment, on a pro rata and pari passu basis, to the Borrowers or a member of the Original Borrower Group in respect of any Bonds surrendered for cancellation in accordance with the Loan Agreements;
(iii) the purchase of Permitted Investments pursuant to the Custody Agreement; or
(iv) redemptions of the Bonds in accordance with the Conditions;
(b) prior to the enforcement of the Issuer Security, payments from the Ongoing Cash Security Account shall only be made to the Borrowers pursuant to, and in accordance with the terms of, the Loan Agreements or to purchase Permitted Investments in accordance with the Custody Agreement; and
(c) no payments from the Transaction Account will be made other than in accordance with the Conditions and the Issuer has undertaken to procure that amounts are paid into and out of the Transaction Account only in accordance with the Conditions, the Account Agreement and the Agency Agreement.

The Account Bank is under no obligation to monitor compliance with the above covenants.

## Interest

Any moneys standing to the credit of the Transaction Account, the Initial Cash Security Account and/or the Ongoing Cash Security Account will earn interest at the interest rate specified in the Account Agreement.

Pursuant to the Account Agreement, interest accrued on the Transaction Account and the Initial Cash Security Account shall be credited to the Transaction Account and interest accrued on the Ongoing Cash Security Account shall be credited to the Ongoing Cash Security Account.

## Change of Account Bank

The appointment of the Account Bank may, with the prior written approval of the Bond Trustee, be terminated upon 60 days' written notice or forthwith at any time the Account Bank is adjudged bankrupt or insolvent. The appointment of the Account Bank may also be terminated in the event that the shortterm senior, unsecured and unguaranteed indebtedness rating of the Account Bank as assigned by Moody's falls below "P-1" or is withdrawn, and there are amounts standing to the credit of the Payment Accounts (and the Issuer shall use all reasonable endeavours to secure the appointment of a replacement Account Bank within 30 days of notice to the Bond Trustee and Moody's of such termination). No termination of the appointment of the Account Bank shall be effective until a successor Account Bank has been appointed.

The Account Bank may resign its appointment upon giving at least 60 days' written notice (subject to the appointment of a replacement Account Bank).

Pursuant to the Account Agreement, the appointment of any replacement Account Bank shall be subject to the prior written approval of the Bond Trustee, be on substantially the same terms as the Account Agreement and be subject to the condition that such replacement Account Bank must have a short-term senior, unsecured and unguaranteed indebtedness rating from Moody's of no less than "P-1".

## CUSTODY AGREEMENT

## Custody Account

Pursuant to the Custody Agreement, the Custodian maintains, in the name of the Issuer, the Ongoing Cash Security Custody Sub-Account and the Initial Cash Security Custody Sub-Account (the Custody Sub-Accounts) and the Ongoing Cash Security Cash Sub-Account and the Initial Cash Security Cash Sub-Account (the Cash Sub-Accounts and, together with the Custody Sub-Accounts, the Custody Account).

## Payments and Delivery

The Issuer has authorised the Custodian to make payments and delivery out of the Custody Account only for the purpose of any acquisition or sale of Permitted Investments or as provided below.

Pursuant to the Custody Agreement, unless otherwise instructed pursuant to Instructions to make a payment out of the proceeds of any Distributions in respect of Permitted Investments purchased by or on behalf of the Issuer in the settlement of an acquisition of other Permitted Investments on or prior to the date of receipt of such Permitted Investments (subject as provided below), the Issuer has agreed to give Instructions to the Custodian, forthwith upon receipt by the Custodian of any Distributions, to transfer:
(a) all Distributions credited to the Ongoing Cash Security Cash Sub-Account to the Ongoing Cash Security Account;
(b) all Distributions (including any amount representing Permitted Investment Profit (if any)) credited to the Initial Cash Security Cash Sub-Account (other than Distributions which represent redemption and/or sale proceeds less any Permitted Investment Profit (if any)) to the Transaction Account; and
(c) all Distributions credited to the Initial Cash Security Cash Sub-Account (other than those to be credited to the Transaction Account pursuant to (b) above) to the Initial Cash Security Account, subject, in each case, to any deductions in respect of any taxes, charges and related liabilities.

The Issuer has agreed pursuant to the Issuer Security Deed that it shall not instruct the Custodian pursuant to Instructions to make a payment out of the proceeds of any Distributions standing to the credit of the Initial Cash Security Cash Sub-Account other than Distributions which represent redemption and/or sale proceeds (but excluding any amount representing Permitted Investment Profit (if any)) and that such amounts shall forthwith upon receipt be transferred to the Transaction Account.

## Change of Custodian

The appointment of the Custodian may, with the prior written approval of the Bond Trustee, be terminated upon 60 days' written notice (subject to the appointment of a replacement Custodian) or forthwith at any time the Custodian is adjudged bankrupt or insolvent. The appointment of the Custodian shall also be terminated in the event that the short-term senior, unsecured and unguaranteed indebtedness rating of the Custodian as assigned by Moody's falls below "P-1" or is withdrawn, and there are Permitted Investments standing to the credit of the Custody Account (subject to the appointment of a replacement Custodian).

The Custodian may resign its appointment upon giving at least 60 days' written notice to the Issuer and the Bond Trustee (subject to the appointment of a replacement Custodian).

Pursuant to the Custody Agreement, the appointment of any replacement Custodian shall be subject to the prior written approval of the Bond Trustee, be on substantially the same terms as the Custody Agreement and be subject to the condition that such replacement Custodian must have a short-term senior, unsecured and unguaranteed indebtedness rating from Moody's of no less than "P-1".

## RETAINED BOND CUSTODY AGREEMENT

## Retained Bond Custody Account

Pursuant to the Retained Bond Custody Agreement, the Retained Bond Custodian maintains, in the name of the Issuer, the Retained Bond Custody Sub-Account and the Retained Bond Cash Sub-Account (together with the Retained Bond Custody Sub-Account, the Retained Bond Custody Account).

## Payments and Delivery

The Issuer has authorised the Retained Bond Custodian to make payments and delivery out of the Retained Bond Custody Account only as provided below.

Pursuant to the Retained Bond Custody Agreement, the Retained Bond Custodian shall not effect a transfer of any Retained Bonds except with the prior written consent of the Bond Trustee in the form of a Retained Bond Confirmation Letter which has been countersigned on behalf of the Bond Trustee.

Pursuant to the Retained Bond Custody Agreement, unless otherwise instructed pursuant to Instructions to make a payment out of any Sale Proceeds (other than any Retained Bond Premium Amount) to a Borrower in satisfaction of the Issuer's obligation to make an advance pursuant to a Loan Agreement, the Issuer shall give Instructions to the Retained Bond Custodian, forthwith upon receipt by the Retained Bond Custodian of any Sale Proceeds to transfer:
(a) all Sale Proceeds (other than any Retained Bond Premium Amount) to the Initial Cash Security Account; and
(b) all Retained Bond Premium Amounts to the Transaction Account,
in each case, subject to any withholding as required by applicable tax laws.

## Payment Waiver

Notwithstanding any other provision of the Retained Bond Custody Agreement to the contrary and subject to the following paragraph, the Issuer has, pursuant to Section 2(c) of the Retained Bond Custody Agreement, unconditionally and irrevocably:
(a) waived its rights to receive payments of interest, principal or otherwise in respect of the Retained Bonds and, for the avoidance of doubt, such waiver by the Issuer of such rights will continue to be effective following the occurrence of an Event of Default or Potential Event of Default;
(b) authorised the Retained Bond Custodian to disclose the waiver referred to in (a) above in respect of the Retained Bonds (and the Retained Bonds position with the Retained Bond Custodian) to the Principal Paying Agent and any applicable international clearing system for the Retained Bonds to ensure that the waiver of the right to receive payments of interest, principal or otherwise in respect of the Retained Bonds is effected; and
(c) directed the Retained Bond Custodian, in respect of each Retained Bond held by the Retained Bond Custodian on behalf of the Issuer in the Retained Bond Custody Sub-Account in definitive form, (i) on each Interest Payment Date, to surrender the interest coupon for such Retained Bond corresponding to such Interest Payment Date to the Principal Paying Agent for cancellation and (ii) to surrender the definitive bond representing such Retained Bond to the Principal Paying Agent for cancellation on any date on which the Retained Bonds are to be redeemed.

The Retained Bond Custodian and the Issuer have each acknowledged and agreed that the waiver, authorisation and direction provided by the Issuer as described above are irrevocable.

## Termination of Retained Bond Custody Agreement

Either of the Issuer or the Retained Bond Custodian may terminate the Retained Bond Custody Agreement by giving to at least 60 days' written notice to the other party.

Either of the Issuer or the Retained Bond Custodian may further terminate the Retained Bond Custody Agreement immediately upon notice to the other party upon the dissolution of that other party, or upon the commencement of any action or proceedings seeking liquidation (or equivalent) of that other party.

## Description of the Issuer

## Incorporation and Status

Yorkshire Housing Finance plc (the Issuer) is a public limited company incorporated in England and Wales with registered number 9227343 on 19 September 2014 under the Companies Act 2006.

The registered address of the Issuer is Dysons Chambers, 12-14 Briggate, Leeds LS1 6ER. The telephone number of its registered address is 01138256000.

The website of the Issuer is at www.yorkshirehousing.co.uk. The information on the Issuer's website does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus (see "Documents Incorporated by Reference" below).

The Issuer has no subsidiaries.

## Principal Activities

The Issuer operates in conformity with its articles of association and is a special purpose vehicle established for the purpose of issuing the Bonds and incurring other indebtedness (including other secured indebtedness but subject to the covenant set out in Condition 6.1 (General Covenants)) and lending the proceeds thereof to the Borrowers to be applied in the achievement of the Borrowers' objects.

## Directors

The directors of the Issuer and their principal activities outside the Issuer are as follows:

| Name | Principal activities outside the Issuer |
| :--- | :--- |
| Nick Atkin | Chief Executive of the Original Borrower |
| Matt Blake | Director of Treasury, Together Financial Services Limited <br> Board member of the Original Borrower |
| Andy Oldale | Executive Director of Finance \& Governance of the Original Borrower |

The business address of each of the above directors is Dysons Chambers, 12-14 Briggate, Leeds, LS1 6ER.

The secretary of the Issuer is Andy Oldale whose business address is at Dysons Chambers, 12-14 Briggate, Leeds LS1 6ER.

Subject as follows, there are no potential conflicts of interest between any duties to the Issuer of the directors of the Issuer and their private interests and/or other duties.

Matt Blake is a director of the Issuer and a board member of the Original Borrower; Nick Atkin and Andy Oldale are both directors of the Issuer and members of the Executive Team of the Original Borrower. A conflict of interests could arise if these directors are required to approve or vote on any transactions between the Original Borrower and the Issuer, such as the Original Loan Agreement. The Issuer's Articles of Association provide in Article 16.1 that such directors are entitled to vote on behalf of the Issuer in respect of such transactions so long as they disclose their interests.

## Share Capital and Major Shareholders

The entire issued share capital of the Issuer comprises 50,000 ordinary shares of $£ 1$ each, all of which are paid up to 25 pence.

The Original Borrower holds all of the shares of the Issuer.

The Original Borrower exercises control over the Issuer through its full ownership of the Issuer.

## Operations

On 31 October 2014, the Issuer issued its $£ 200,000,0004.125$ per cent. Secured Bonds due 2044 and immediately repurchased $£ 60,000,000$ in principal amount thereof (the Retained Bonds). The Retained Bonds were subsequently sold on 18 September 2019.

## Recent Developments

There have been no recent events particular to the Issuer that are, to a material extent, relevant to the evaluation of the Issuer's solvency.

## Description of the Original Borrower

## Incorporation and Status

Yorkshire Housing Limited (the Original Borrower) was incorporated on 1 April 2008 under the Industrial and Provident Societies Act 1965 and is currently a registered society under the Co-operative and Community Benefit Societies Act 2014 with registered number 30443R. It is also registered with the Regulator (with registered number L4521) as a charitable Registered Provider of Social Housing.

The registered office of the Original Borrower is Dysons Chambers, 12-14 Briggate, Leeds LS1 6ER. The telephone number of its registered address is 01138256000.

The website of the Original Borrower is at www.yorkshirehousing.co.uk. The information on the Original Borrower's website does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus (see "Documents Incorporated by Reference" below).

## Background and History

The Original Borrower was formed in 1999 through a merger between Ryedale Housing Association and Yorkshire Metropolitan Housing Association. Craven Housing became a subsidiary following stock transfer in April 2003, and Brunel Housing was added in January 2006. In 2008, the Original Borrower amalgamated all of its charitable activity into a single legal entity, Yorkshire Housing Limited.

## Original Borrower Group

The Group consists of the Original Borrower, the Issuer and two trading subsidiaries - Yorkshire Community Property Services Limited (registered in England and Wales under the Companies Act 2006 with registration number 4131362) (YCPS) and YH Residential Limited (registered in England and Wales under the Companies Act 2006 with registration number 4604866) (YHR). YHR was formed in 2002 and owns and manages the market rented homes portfolio.

The Original Borrower has a 33 per cent. share in Yorkshire Transformations Holdings Limited which is a joint venture that undertakes the Swarcliffe modernisation project. The principal activity of this company is the refurbishment, maintenance and financing of homes in the Swarcliffe area of Leeds under a Private Finance Initiative with Leeds City Council.

YHR has a 20 per cent. share of Forge New Homes LLP which is a joint venture set up in 2019 to provide housing in the Sheffield city region.

## Principal Activities

The Original Borrower's principal activity is the provision of social housing at rents below market levels. The Original Borrower provides a small amount of housing for sale, mostly on a shared ownership basis, and delivers other government contracts to support low cost home ownership initiatives through YHR. The Original Borrower also provides housing related services across Yorkshire to people in housing need, including special needs accommodation.

## Board

The board members of the Original Borrower (the Board) and their principal activities outside the Original Borrower are as follows:

| Name | Principal activities outside the Original Borrower |
| :--- | :--- |
| Will Lifford (Chair) | Board member, Independent Parliamentary Standards Authority <br> Board member, Charity Commission |
| Sue Hall (Vice-Chair) | Chair, Valuation Office Agency |
| Linda Christon | None |
| Richard Flanagan | Chartered Surveyor, Chair of RICS APC assessment panels. <br> Chair of Growth \& Investment Committee |
| Alison Hadden | Chair, Stafford and Rural Homes <br>  <br> Places Committee |
| Philip Severs | Chair, Harrogate Healthcare Facilities Management Ltd |
| Isabel Hunt | Executive Director, National Heritage Lottery Fund <br> Board member, Royal Institute for Blind People <br> Member of Growth \& Investment Committee and Homes \& Places <br> Committee |
| Leann Hearne | Chief Executive, Livv Housing Group <br> Trustee Shakespeare North Playhouse Trust <br> Member of Governance \& People Committee and Group Business <br> Assurance Committee |
| Matt Blake | Director of Treasury, Together Financial Services Limited <br> Director of the Issuer <br> Yorkshire Housing Residential Board Member |
| Jacqueline Esimaje-Heath | Chair of Yorkshire Housing Residential Board and member of <br> Growth \& Investment Committee |

The business address of each of the above board members is Dysons Chambers, 12-14 Briggate, Leeds LS1 6ER.

The secretary of the Original Borrower is Andy Oldale whose business address is at Dysons Chambers, 12-14 Briggate, Leeds LS1 6ER.

Subject as follows, there are no potential conflicts of interest between any duties to the Original Borrower of the board members of the Original Borrower and their private interests and/or duties.

Matt Blake is a board member of the Original Borrower and a director of the Issuer. A conflict of interests could arise if Matt Blake is required to approve or vote on any transactions between the Issuer and the Original Borrower, such as the Original Loan Agreement. However, the rules of the Original Borrower provide that a board member shall not have an interest in any arrangement as a board member, director or officer of any other member of the Group.

## Executive Team

The Executive Team of the Original Borrower and their principal activities outside the Original Borrower are as follows:

| Name | Principal activities outside the Original Borrower |
| :--- | :--- |
| Nick Atkin (Chief Executive) | Director of the Issuer |
| Cath Owston (Director of <br> Customer Services) | Board member, Bolton at Home <br> Chair, Starts with you |
| Andy Gamble (Director of <br> Development) | Chair, Harrogate Housing Association |
| Andy Oldale (Director of Finance) | Director and secretary of the Issuer |

There are no potential conflicts of interest between any duties to the Original Borrower of the executives of the Original Borrower comprising the Executive Team and their private interests and/or duties.

## Corporate Governance

The Original Borrower is managed and monitored by the Board and a number of Board sub-committees (the Committees). Membership of the Board consists of 10 members, with up to three places reserved for tenants. Further detail on the Committees is set out below.

The Board has adopted the National Housing Federation's Code of Governance 2020 and currently complies with all its requirements, although the Board has reserved the right to allow a serving Chair to continue his or her period of office even if this goes beyond the nine years permitted by the Code. This is to ensure that the Original Borrower is chaired by an able and experienced person who has the confidence of all Board members. This flexibility is not currently needed. Maximum tenure will normally be up to six consecutive years (typically comprising two terms of office), but where a member has served six years, and the Board agrees that it is in the Original Borrower's best interests, their tenure can extend up to a maximum of nine years.

Authority for the day to day running of the Original Borrower is delegated to the Executive Team, which comprises the Chief Executive and three non-statutory directors as set out above. The Executive Team members also have responsibility for the implementation of the strategic plans of the Board. The Executive Team members together with the Board consider the main risks faced by the Original Borrower as part of the business planning process.

The Board has set up the following committees to facilitate the direction of the Original Borrower's affairs (all of which report to the Board):

- Homes and Places Committee;
- Group Business Assurance Committee;
- Growth and Investment Committee; and
- Governance and People Committee.

The Board also appoints a small Board to oversee the work of YHR. The Chair and Vice Chair of the Board are also directors of YCPS.

The Homes and Places Committee supports the Board in achieving the Group's five key strategic priorities with a particular focus on Great Customer Experience and Homes and Places to be Proud of. It comprises six members, including three Board members.

The Group Business Assurance Committee was set up to provide assurance to the Board on the adequacy and effectiveness of the systems for governance, risk management and internal control and to ensure current and future viability is maintained. It comprises five members including three Board members.

The Growth and Investment Committee was set up to support the Group in delivering the growth element of the Business Strategy relating specifically to the procurement and delivery of new homes and related new business and generating profit for a purpose. It comprises five members including three Board members.

The Governance and People Committee was set up to ensure there are adequate skills on the Board through effective skills and succession planning and that the People Strategy is delivered. It is also responsible for the reward and remuneration of staff, the Executive Team, Board and Committee Members through ensuring the approach taken is clearly aligned to the Group's values and Business Strategy. It comprises three members, all of whom are Board members.

On 28 April 2021, the Regulator issued a regulatory judgement which concluded that the Original Borrower met both the viability and governance standards and graded the Original Borrower as "G1" for governance and "V2" for viability. This is a routine process of regulation which discusses an organisation's performance as outlined in the Regulator's Governance and Financial Viability standard. The G1 rating means that the Original Borrower meets the requirements on governance set out in the Governance and Financial Viability standard. The V2 rating means that the Original Borrower meets the requirements on viability set out in the Governance and Financial Viability standard and has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance.

## Share Capital

The Original Borrower had 120 shares in issue of $£ 1$ each as at 31 March 2021. The shares are nontransferable, non-redeemable and carry no rights to receive either income or capital payments. The 120 members are committed to a maximum liability of $£ 1$ each in the event of the Original Borrower being wound up. Under the rules of the Original Borrower, the surpluses may not be distributed among the shareholders of the Original Borrower.

## Recent Developments

There have been no recent events particular to the Original Borrower that are, to a material extent, relevant to the evaluation of the Original Borrower's solvency.

## Corporate Rating

The Original Borrower has been assigned a credit rating of "A3" by Moody's.
As of the date of this Prospectus, Moody's is established in the United Kingdom and is registered under the UK CRA Regulation. As such, Moody's is included in the list of credit rating agencies published by FCA on its website in accordance with the UK CRA Regulation. As at the date of this Prospectus, Moody's is not established in the European Union nor has it applied for registration with the CRA

Regulation. However, the rating issued by Moody's has been endorsed by Moody's Deutschland GmbH in accordance with the CRA Regulation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

## Description of the Regulation and Funding Environment applicable to the Borrowers

## The Social Housing Sector

Social housing is housing to rent at below market level rents, or to buy through schemes such as shared ownership, that is made available to those whose needs are not served by the commercial housing market. As at 10 September 2021, the Regulator of Social Housing (the Regulator) reported that there were 1,622 Registered Providers in England.

## Regulation and the Regulatory Framework

The Housing and Regeneration Act 2008, as amended by the Localism Act 2011 and the Housing and Planning Act 2016 (the HPA 2016), (the HRA 2008) makes provision for the regulation of social housing provision in England.

Pursuant to the HRA 2008, the Homes and Communities Agency (the HCA) acted as the regulator of Registered Providers, including the Original Borrower. Since January 2018, Homes England has operated the non-regulatory arm and the Regulator has taken on the functions of the regulation committee. The Regulator provides economic regulation for Registered Providers in order to ensure that they are financially viable and well governed.

The Regulator regulates Registered Providers in accordance with the regulatory framework for social housing in England (the Regulatory Framework), which sets out the standards that apply to Registered Providers of Social Housing (the Standards).

The Regulator proactively regulates the three Standards which are classified as 'economic'. These are:

- the Governance and Financial Viability Standard;
- the Value for Money Standard; and
- the Rent Standard.

The Regulator has issued two codes of practice: one code to amplify the Governance and Financial Viability Standard and the code for the Value for Money Standard. Furthermore, the Regulator has issued a Rent Standard Guidance.

The remaining four standards are classified as 'consumer' for which the Regulator's role is reactive in response to referrals or other information received. Its role is limited to intervening where failure to meet the standards has caused or could have caused serious harm to tenants. The consumer standards are:

- the Tenant Involvement and Empowerment Standard;
- the Home Standard;
- the Tenancy Standard; and
- the Neighbourhood and Community Standard.

Registered Providers are expected to comply with the Standards and to establish arrangements to ensure that they are accountable to their tenants, the Regulator and relevant stakeholders. The enforcement by the Regulator of the Standards other than those relating to governance and financial viability, rent and value for money is restricted to cases in which there is, or there is a risk of, serious
detriment to tenants (including future tenants). The Regulatory Framework includes guidance as to how the Regulator will assess whether serious detriment may arise.

In April 2015 the HCA (as the predecessor of the Regulator) published updates to the Regulatory Framework. These provide for changes in the way the Regulator regulates, including asset and liability registers which are aimed to ensure that social housing assets are not put at risk, to protect the public value in those assets and to ensure that Registered Providers can continue to attract the necessary finance to build new homes.

In March 2019, the Regulator updated its "Regulating the Standards" publication which outlines the Regulator's operational approach to assessing Registered Providers' compliance with the economic and consumer standards.

On 14 August 2018 the Ministry of Housing, Communities and Local Government (MHCLG) published the green paper titled "A new deal for social housing". The paper sets out the UK Government's intention to carry out a review of regulation of social housing to ensure it remains fit for purpose, reflects changes in the social housing sector and drives a focus on delivering a good service for residents. A "call for evidence" which marks the first stage in the review process was launched which asked interested parties such as residents, landlords and lenders for information on how the regulatory regime is meeting its current objectives - both what works well and what does not. Alongside questions in the green paper it marks the first stage in the review process. The deadline for responses was 6 November 2018. On 17 November 2020, the UK Government released a Social Housing White Paper, which has the stated aim of delivering transformational change for social housing residents. A seven point Charter is proposed setting out what every social housing resident should be able to expect. Central to the above is the proposal for a strengthened Regulator which will be granted additional powers and in particular will be empowered to act more proactively on consumer regulation matters than under the current regulatory regime in force as at the date of this Prospectus. Many of the proposals rely upon further legislation and consultation, so implementation is not expected to be immediate.

## Housing Grant

Grant funding is a critical part of the funding mix for Registered Providers, sustaining their ability to provide housing to rent at below market level rents. Grant funding is allocated by central government in periodic affordable homes programmes with the allocation of grants to Registered Providers administered by Homes England, an executive non-departmental public body, sponsored by the MHCLG. This allocation of funding includes Homes England appointing strategic partners that are typically amongst the larger Registered Providers.

Grant funding for Registered Providers has, in recent years, undergone significant and material change. Under the 2011-2015 Affordable Homes Programme, the level of capital grant made available to fund new affordable homes was reduced to $£ 4.5$ billion compared to $£ 8.4$ billion under the previous review period. To compensate for this, Registered Providers of Social Housing are able to charge Affordable Rents where a Framework Delivery Agreement with Homes England has been entered into.

The 2015-2018 Affordable Homes Programme (the New Framework) was launched in January 2014. In December 2014 the Chancellor announced that the grant programme would be extended to 2020 with additional grant being made available. The primary change brought about under the New Framework is that all of the available funding is not allocated from the outset. The New Framework allows bidders the opportunity to bid for the remaining funding for development opportunities as these arise during the programme, where they can be delivered within the programme timescales.

In April 2016, the HCA announced that it was making available £4.7 billion of capital grant between 2016-2021 under the Shared Ownership and Affordable Homes Programme 2016-2021 (SOAHP 2016 to 2021). That marked a decisive shift towards support for home ownership in England. However, the

Autumn Statement 2016 announced that an additional $£ 1.4$ billion would be made available to build 40,000 affordable homes and that the SOAHP 2016 to 2021 will support a variety of tenures which now includes affordable rent, shared ownership and rent to buy.

The new 2021-26 Affordable Homes Programmes were launched earlier in 2021, making available £11.4 billion of new government grant to help fund the delivery of up to 130,000 new affordable homes across England. Around half of the new funding is for 'routes into home ownership' comprising shared ownership and rent-to-buy tenures, with the other half for rent. Grant rates are expected to be higher in the new programmes, reflecting changes to the shared ownership model and a greater focus on social rents. Some of the new funding is expected to be allocated in longer-term, up-front settlements via 'Strategic Partnership' contracts with providers.

## Social Housing Rents

As part of the 2012 spending round, the UK Government confirmed, through its policy "Guidance on Rents for Social Housing" published in May 2014, that from 2015-2016, rents in the social sector should increase by up to the Consumer Price Index (CPI) at September of the previous year plus 1 per cent. annually, for ten years.

The relevant rent standard guidance for Registered Providers is contained within the Regulatory Framework.

In the 2015 Summer Budget, the UK Government announced that rents for social housing (as defined in Part 2 of the HRA 2008) in England would reduce by 1 per cent. annually for four years. This change was introduced on 1 April 2016 pursuant to Section 23 of the Welfare Reform and Work Act 2016 (the WRWA 2016).

In the WRWA 2016 and associated amendment regulations there is provision for exceptions to the rent reduction requirement and MHCLG has regulation making powers to introduce other exemptions. For example, reductions do not apply to rents payable by residents in low cost home ownership and shared ownership properties. Furthermore, the WRWA 2016 also gives the Regulator the power, by direction, to exempt a Registered Provider of Social Housing from the rent reduction requirement but only where compliance with the requirement would jeopardise that Registered Provider's financial viability.

On 4 October 2017, the UK Government announced that social housing rents would be restored to the CPI plus 1 per cent. formula for five years from April 2020. Rent reductions continued to apply until then. A "Policy Statement on Rents for Social Housing" was issued by MHCLG on 26 February 2019 and confirmed the CPI plus 1 per cent. limit for five years from April 2020. A contemporaneous "Direction to the Regulator" was issued which prompted the Regulator to publish a new rent standard (incorporating the Policy Statement on Rents for Social Housing) that took effect from 1 April 2020.

## Welfare Benefit Reform

## Background

A substantial proportion of social housing tenants rely on one or more welfare benefits for at least part of their income according to research in 2014 by the Joseph Rowntree Foundation on the impact of welfare reform on social landlords and tenants. 90 per cent. of social housing tenants received some form of income support through the welfare benefit system. As a result, changes to the welfare benefit system can impact materially the ability of social housing tenants to meet their housing costs. There have been a range of reforms of the welfare benefit system in recent years including capping the overall amount of benefits households can receive, consolidating multiple benefits into a single payment (Universal Credit) and other reforms specific to housing such as the Occupation Size Criteria that have had and still have the potential to impact housing affordability for social housing tenants.

## Household Benefit Cap

The Summer Budget 2015 announced, and the Spending Review and Autumn Statement 2015 confirmed, that the total household benefit cap (the combined income from a number of welfare benefits for those receiving housing benefit or Universal Credit and that are of working age) would be reduced to $£ 20,000$ per year for couples or parents (or $£ 23,000$ in Greater London) and £13,400 per year for single people without children (or $£ 15,410$ in Greater London). Measures to implement the lowering of the threshold were included in the WRWA 2016 which applies to Registered Providers of Social Housing.

Exemptions to the total household benefit cap can apply to those tenants who qualify for working tax credit; are above the qualifying age for pensions credit; obtain certain benefits for sickness and disability; or claim a war pension. The benefit cap will not apply in circumstances where a tenant or a tenant's partner is in receipt of, or is responsible for a child or young person who is in receipt of, benefits such as disability living allowance, personal independence payment or carer's allowance. Housing benefit will not be included when calculating total benefit income where tenants are housed in specified accommodation including supported housing.

## Occupation Size Criteria

The Welfare Reform Act 2012 (the WRA 2012) introduced a size criterion for working age social housing tenants in receipt of housing benefit known as the "removal of the spare room subsidy" or "bedroom tax". The arrangements allow each of certain defined categories of people (such defined categories being: (a) a couple, (b) an adult (over 16), (c) two children of the same sex, (d) two children under the age of 10, (e) any other child, (f) those with a disability, and ( g ) a non-resident overnight carer) to be entitled to one bedroom. Exemptions are applied to supported housing tenants. Where a household has one extra bedroom, housing benefit is reduced by 14 per cent. of the rent charge. Where a household has two or more extra rooms, the reduction to housing benefit is 25 per cent.

## Universal Credit

Universal Credit, introduced under the WRA 2012, replaces six existing means-tested benefits and tax credits for working-age families, namely income support, income-based jobseeker's allowance, incomerelated employment and support allowance, housing benefit, child tax credit and working tax credit with a single monthly payment, transferred directly into a household bank account of choice, and is currently in an extended "roll out" phase across the UK which is expected to last until September 2024.

There are three types of alternative payment arrangements available for claimants:
(a) direct payment of the housing cost element to landlords (known as managed payments);
(b) splitting of payments between members of a couple; and
(c) more frequent payment of benefit where a claimant is in arrears with their rent for an amount equal to, or more than, two months of their rent or where a claimant has continually underpaid their rent over a period of time, and they have accrued arrears of an amount equal to or more than one month's rent.

If the Department of Work and Pensions (the DWP) does not set up a managed payment, Registered Providers of Social Housing can request a managed payment and inform the DWP of other reasons why a managed payment might be needed. Landlords can request deductions from a claimant's Universal Credit to repay existing rent arrears, known as third party deductions. Deductions will be a minimum of 10 per cent. and a maximum of 20 per cent. of a claimant's Universal Credit standard allowance.

## Right to Buy

The introduction of the right to buy to assured tenants of Registered Providers of Social Housing was a manifesto commitment by the Conservative party for the 2015 and 2017 general elections. An announcement from the Secretary of State for Communities and Local Government on 24 September 2015 confirmed a proposal made by the National Housing Federation (NHF) to introduce the right to buy voluntarily. The voluntary arrangement is based on four key principles:
(a) tenants would have the right to purchase a home at right to buy discounts (maximum discount of $£ 77,900$ ( $£ 103,900$ in London)) subject to government funding for the scheme;
(b) Registered Providers of Social Housing will have the final decision about whether to sell an individual property;
(c) Registered Providers of Social Housing will receive the full market value of the properties sold, with the value of the discount funded by the UK Government; and
(d) nationally, for every home sold under the agreement a new affordable property would be built, thereby increasing supply.

The Prime Minister confirmed on 7 October 2015 that the NHF's proposal had been accepted by the UK Government. This means that, rather than including the right to buy extension in the HPA 2016 as a statutory obligation, there is an agreement by the social housing sector to deliver the extension voluntarily. The HPA 2016 establishes a statutory framework to facilitate the implementation of the voluntary right to buy scheme and makes provision for grants to be paid to Registered Providers of Social Housing to cover the cost of selling housing assets at a discount. The HPA 2016 states that such grant may be made on any terms and conditions the MHCLG considers appropriate.

The UK Government ran an initial pilot scheme in January 2016 involving five housing associations and launched a further regional pilot in August 2018, which is now closed.

## LHA Cap and Sheltered Rent

In the 2015 Spending Review, the Chancellor outlined plans to cap the amount of rent that housing benefit will cover in the social housing sector to the level of the relevant Local Housing Allowance (LHA) (the LHA Cap). This was to take effect in England only from April 2019 with the key elements being:
(a) the LHA Cap will apply to all tenants in supported and sheltered housing from April 2019;
(b) housing cost will continue to be paid through the benefit system up to LHA level;
(c) no Shared Accommodation Rate - one-bedroom LHA rate for under 35 year olds in supported housing;
(d) local authority top-up, with ring-fenced funds transferred across from the DWP and allocated by the MHCLG;
(e) the UK Government believes a different system needs to be worked out for short-term transitional services and it will consult on this; and
(f) the 1 per cent. rent reduction applies to supported and sheltered housing from April 2017 for three years - except refuges, alms houses and co-ops.

Following a joint DWP/MHCLG select committee inquiry, the UK Government announced on 31 October 2017 that the LHA Cap will not apply to tenants in supported housing, nor to the wider social rented
sector, and therefore will not apply to the majority of Registered Providers of Social Housing. It was also announced, on 31 October 2017, that the UK Government will introduce a new sheltered rent for the sheltered housing and extra care sector from April 2020. This will keep funding within the welfare system and acknowledge the higher cost generated by this type of housing in comparison with general needs housing.

After several consultations in August 2018, the UK Government confirmed that housing costs for supported housing will continue to be paid through housing benefit. Additionally, there will be no introduction of a "sheltered rent" and as a result there will be no cap on services charged in sheltered and extra care schemes.

## Building Regulations Reform

On 20 July 2020, the UK Government published the draft Building Safety Bill which seeks to legislatively address the recommendations from an independent review of building regulations and fire safety following the Grenfell Tower fire in June 2017. On 5 July 2021, a revised Building Safety Bill was published. It proposes fundamental reform of building safety requirements with the aim of ensuring that residents are safe in their homes. The draft Bill is not anticipated to come into force until Spring or Summer of 2022.

There is also significant secondary legislation and related guidance expected and therefore substantial details of the regime remain outstanding. The draft Bill covers all residential buildings, with an enhanced regulatory regime applying to "Higher-risk buildings" (being buildings that are 18 metres or above or are 6 storeys or above, whichever is reached first, and that meet a multi-dwelling test).

The draft Bill includes:

- amendments to the Building Act 1984 to introduce a dutyholder regime; dutyholders will have clear responsibilities for safety throughout a building's design and construction and the introduction of the "Accountable Person" who will hold the responsibility for safety during the occupation phase;
- a new building safety charge regime as well as an obligation on residents to ensure they do not undermine the fire and structural safety for the building in which they live;
- various provisions to give residents a stronger voice in the system and to ensure their concerns are never ignored;
- the establishment of a new building safety regulator (the HSE) to provide oversight of the new building safety regulatory regime; and
- strengthened enforcement and sanctions to deter non-compliance with the new regime.

The proposals will affect many aspects of the business of a Registered Provider of Social Housing and in particular, the procurement, development, construction and management of existing and new build properties.

## Fire Safety Act

The Fire Safety Act 2021 received Royal Assent on 29 April 2021 and sets out various changes to the Regulatory Reform (Fire Safety) Order 2005 (RRFO) so that a responsible person is now required to assess the safety of a building's external wall system on any building with two or more residential premises. The Fire Safety Act 2021 also introduces a requirement to assess the safety of a building's structure and all doors between the domestic premises and common parts. These amendments to the RRFO will have a serious impact on all building owners, including Registered Providers of Social Housing and assessments are likely to lead to defects being identified and therefore necessitating
rectification. Failure to carry out a sufficient risk assessment or to comply with any recommendations made as a result of the assessments could constitute an offence or become the subject of enforcement action.

## Moratorium and Housing Administration

In order to protect the interests of tenants and to preserve the housing stock of a Registered Provider of Social Housing within the social housing sector and within the regulatory regime, a 28 day moratorium on the disposal of land (including the enforcement of any security) by a non-profit Registered Provider of Social Housing will apply upon notice being given to the Regulator of certain steps being taken in relation to that provider such as presenting a winding up petition, the appointment of an administrator or the intention to enforce security over its property. The Regulator may then seek to agree proposals about the future ownership and management of the provider's land with its secured creditors. The Security Trustee is required to notify the Regulator of its intention to enforce the security created pursuant to the Security Documents and it cannot enforce its security during the resulting moratorium without the consent of the Regulator.

The Original Borrower is a registered society within the meaning of the Co-operative and Community Benefit Society Act 2014, and is therefore not subject to administration under the Insolvency Act 1986. However, the HPA 2016, the Insolvency of Registered Providers of Social Housing Regulations 2018 and the Housing Administration (England and Wales) Rules 2018 introduced a special administration regime called housing administration which was brought into force on 5 July 2018 and is available in addition to the moratorium regime. This provides for a court to appoint a qualified insolvency practitioner known as a "housing administrator" to manage the affairs, business and property of a Registered Provider of Social Housing, following an application from the Secretary of State or (with the permission of the Secretary of State) the Regulator.

An interim moratorium will run from the date of issue of an application for a housing administration order until the application is either dismissed or a housing administration order takes effect and, upon the making of a housing administration order, a Registered Provider of Social Housing shall become subject to a moratorium, for so long as such Registered Provider of Social Housing is subject to a housing administration order, that prevents secured creditors from enforcing their security without the consent of the housing administrator or the permission of a court.

Each housing administration order will last for 12 months (subject to certain exceptions), but may be extended. In certain circumstances a court may make an order enabling a housing administrator to dispose of property belonging to a Registered Provider of Social Housing which is subject to a fixed charge, albeit only on terms that the fixed charge holder receives the proceeds up to the value of the security and those proceeds are topped up to "market value" if the property is sold for less than this.

## Documents Incorporated by Reference

This Prospectus should be read and construed in conjunction with:
(a) the Issuer's audited annual financial statements, which include the report of the board, strategic report, independent auditor's report and annual accounts, for the financial years ended 31 March 2020 and 31 March 2021 (the Issuer Financial Statements); and
(b) the Original Borrower's audited consolidated annual financial statements, which include the report of the board, operating and financial review, independent auditor's report and annual accounts, for the financial years ended 31 March 2020 and 31 March 2021 (the Borrower Financial Statements and, together with the Issuer Financial Statements, the Financial Statements),
which have previously been published and have been filed with the FCA and shall be incorporated in, and form part of, this Prospectus, save that any statement contained in the Financial Statements shall be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein modifies or superseded such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, expect as so modified or superseded, constitute part of this Prospectus.

Copies of the Financial Statements can be obtained from the registered office of the Issuer, from the specified office of the Principal Paying Agent for the time being in London and on the Issuer's website (at https://www.yorkshirehousing.co.uk/about-us/investors/).

Any documents themselves incorporated by reference in the Financial Statements shall not form part of this Prospectus.

## Valuation Report

The holders of the New Bonds share their security with the holders of the Original Bonds and will share in the security for the Original Bonds.

The following valuation report (the Valuation Report) relates to the properties which are, as at the New Bond Issue Date, charged in favour of the Security Trustee and allocated for the benefit of the Issuer (such properties, the Existing Properties) to secure the Bonds. Accordingly, on the New Bond Issue Date, the Issuer's Designated Security will be comprised of the Existing Properties.

The Valuation Report was prepared by Savills Advisory Services Limited, Registered Chartered Surveyors, of 33 Margaret Street, London W1G 0JD (the Valuer). The Valuation Report is included in this Prospectus, in the form and context in which it is included, with the consent of the Valuer and the Valuer has authorised the contents of this section. However, the Valuer did not prepare this Prospectus and assumes no responsibility for the correctness of the Prospectus as a whole or for any other part of the Prospectus. In addition, the Valuation Report refers to the position at the date stipulated in the Valuation Report, and the Valuer is not obliged to take any action after the date of this Prospectus to review or to update the Valuation Report.

The Valuer does not have a material interest in the Issuer or the Original Borrower.

## Summary of valuations

A summary of the values of the Existing Properties set out in the Valuation Report is set out below:

EUV-SH or, where appropriate, MV-ST*

| Units | EUV-SH is <br> appropriate | Units | MV-ST is <br> appropriate |  |
| :--- | :--- | :--- | :--- | :--- |
| No. | $£$ | No. | $£$ | $£$ |
| 1,243 | $£ 70,368,000$ | 2,793 | $£ 222,429,000$ | $£ 292,797,000$ |

* A further 201 units have been given a nil value.


## Yorkshire Housing Finance plc

Valuation of housing stock relating to the issue by Yorkshire Housing Finance plc of $£ 200,000,0004.125$ per cent. Secured Bonds due 2044 (to be consolidated and form a single series with the $£ 200,000,0004.125$ per cent. Secured Bonds due 2044)

To:
Prudential Trustee Company Limited
in its capacity as Security Trustee acting as trustee for and on behalf of itself and the Beneficiaries as defined in the security trust deed dated 5 November 1999 between, inter alios, Prudential Trustee Company Limited as security trustee (the "Security Trustee") and Yorkshire Housing Limited and as the same may be further amended, novated, supplemented, varied or restated from time to time, (the "Security Trust Deed")
and Prudential Trustee Company Limited
10 Fenchurch Avenue
London EC3M 5AG
(the "Bond Trustee")
and:
and:
Yorkshire Housing Limited
Dysons Chambers
12-14 Briggate
Leeds LS1 6ER
(the "Original Borrower")

Dear Sirs,

VALUATION OF HOUSING STOCK OF YORKSHIRE HOUSING LIMITED (THE "ORIGINAL BORROWER") RELATING TO THE ISSUE BY YORKSHIRE HOUSING FINANCE PLC (THE "ISSUER") OF $£ 200,000,0004.125$ PER CENT. SECURED BONDS DUE 2044 (THE "NEW BONDS") TO BE CONSOLIDATED AND FORM A SINGLE SERIES WITH THE £200,000,000 4.125 PER CENT. SECURED BONDS DUE 2044 (THE "ORIGINAL BONDS" AND, TOGETHER WITH THE NEW BONDS, THE "BONDS").

In accordance with the instructions confirmed in our letter to the Issuer dated $24^{\text {th }}$ May 2021, we have carried out a desktop revaluation of the properties and made such enquiries as are sufficient to provide you with our opinion of value on the bases stated below. The properties were last inspected externally in June 2020.

We draw your attention to our accompanying Report together with the General Assumptions and Conditions upon which our Valuation has been prepared, details of which are provided at the rear of our Report.

We trust that our Report meets your requirements, however should you have any queries, please do not hesitate to contact us.

Yours faithfully

For and on behalf of Cavils Advisory Services Limited



Catherine Wilson MRICS RICS Registered Valuer
Director

## savills

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## 1. Instructions and Terms of Reference

### 1.1. Instructions \& Terms of Reference

This Report is required in connection with the proposed issue by the Issuer of the New Bonds.

Further to instructions received from the Issuer and the Confirmation of Instructions Letter dated $24^{\text {th }}$ May 2021 which confirmed our instructions we now have pleasure in reporting the following valuations and advice.

The schedule of properties which are the subject of this valuation comprises 4,237 houses and flats only (the "Properties") with apportioned values is attached at Appendix $\mathbf{1}$ and $\mathbf{2}$ and relates to 4,036 properties with value plus 201 nil value and excluded properties, 4,237 properties in total.

In completing this exercise, we have:
a) agreed a full set of property schedule data with the Original Borrower;
b) discussed details as to our approach and methodology; and
c) completed our own thorough desktop review, research and analysis.

The above has enabled us to arrive at the valuation assumptions that have enabled us to carry out our valuations and final reported figures herein.

For the avoidance of doubt, we confirm that it would not be appropriate or possible to compare this valuation with any values appearing in the Original Borrower's annual accounts. This Report has been prepared in accordance with the RICS Red Book (as defined herein). The valuations are prepared on this basis so that we can determine the value recoverable if the charges over the Properties were enforced as at the Effective Date (as defined herein). We understand that the values given in the accounts of the Original Borrower are prepared on an historic cost basis, which considers how much the Properties have cost and will continue to cost the Original Borrower. This is an entirely different basis of valuation from that used for loan security purposes. Moreover, the figure in the Original Borrower's latest published annual accounts represents a valuation based on the going concern of the whole stock, in contrast with the valuation for the Bonds which only represents the value to a funder in possession of a portion of the stock. As such different assumptions would be applied. Consequently, in addition to being impractical, any comparison would not be an accurate comparison.

Our valuations have been carried out on the basis of the General Assumptions and Standard Conditions set out in Appendix 4.

### 1.2. Basis of Valuation MV-STT - Unencumbered Properties

In relation to Properties which may be disposed of by a mortgagee in possession on an unfettered basis (meaning subject to tenancies but otherwise vacant possession and not subject to any security interest option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use):-

The Market Value of such properties for loan security purposes firstly reflecting the fact or (where not the case) making an assumption as to the fact that the properties are subject to existing tenancies that grant security of tenure to the occupational tenant. Our valuation will refer to this basis of value as "MV-STT" or "market value, subject to tenancies".

The Existing Use Value - Social Housing ("EUV-SH") of such properties for loan security purposes attributable to the same unencumbered Properties.

### 1.3. Basis of Valuation EUV-SH - Encumbered Properties

In relation to Properties other than those specified in paragraph 1.2 above that are subject to shared ownership leases, have restrictions on title, in planning or those former LSVT properties that should remain at EUV-SH levels:-

The Existing Use Value for Social Housing ("EUV-SH") of such properties for loan security purposes.

### 1.4. Definition of Basis of Valuations

Existing Use Value for Social Housing is defined by the Royal Institution of Chartered Surveyors ("RICS") at UK VPGA 7 as:-
"Existing use value for social housing (EUV-SH) is an opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the valuation date, assuming:
a) a willing seller
b) that prior to the valuation date there had been a reasonable period (having regard to the nature of the property and the state of the market) for the property marketing of the interest for the agreement of the price in terms and for the completion of the sale
c) that the state of the market, level of values and other circumstances were on any earlier assumed data of exchange of contracts, the same as on the date of valuation
d) that no account is taken of any additional bid by a prospective purchaser with a special interest
e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion
f) that the property will continue to be let by a body pursuant to delivery of a service for the existing use
g) that the vendor would only be able to dispose of the property to organisations intending to manage their housing stock in accordance with the regulatory body's requirements
h) that properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and
i) that any subsequent sale would be subject to all the same assumptions above"

Market Value is defined by the Royal Institution of Chartered Surveyors at VPS 4.4 and IVS 104 paragraph 30.1 as:-
"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

### 1.5. Freehold \& Long-Leasehold Properties

We have valued the freehold and long-leasehold property and listed these separately at Appendix 1, splitting the schedules at Appendix $\mathbf{2}$ between those valued at EUV-SH and MV-STT.

We confirm that there will be no material difference in the valuations between freehold and long-leasehold interests (on either basis; MV-STT and EUV-SH).

### 1.6. General Assumptions and Conditions

All our valuations have been carried out on the basis of the General Assumptions and Standard Conditions set out in Appendix 4 of this Report.

### 1.7. Valuation Date

Our opinions of value are as at the date of this Report (the "Effective Date"). The importance of the valuation date must be stressed as property values can change over a relatively short period of time.

### 1.8. Purpose of Valuation

We understand that our valuation is required for loan security purposes in connection with the proposed issue by the Issuer of the New Bonds. The Properties will be charged pursuant to a Legal Mortgage by the Original Borrower as security in favour of the Security Trustee and held by the Security Trustee on the basis of a Security Trust Deed for the benefit of itself and the Issuer. The Issuer shall, pursuant to the Bond Trust Deed, assign its rights in respect of the Properties to the Bond Trustee for the benefit of the Bond Trustee, the holders of the Bonds and the other Issuer Secured Creditors..

This Report is issued for the benefit of the addressees and for the inclusion in the Prospectus (the "Prospectus") for the New Bonds to be issued by the Issuer and may only be used in connection with the transaction referred to in this Report and for the purposes of the Prospectus.

We hereby give consent to the publication of this Report within the Prospectus and accept responsibility for the information contained in this Report. To the best of our knowledge, the information given in this Report is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 1.9. Conflicts of Interest

We are independent valuers and are not aware of any conflict of interest, either with the Properties, the Issuer or the Original Borrower preventing us from providing you with an independent valuation of the Properties in accordance with the RICS Red Book. We will value the Properties as External Valuers, as defined in the RICS Red Book.

Other departments within Savills has advised the Issuer and the Original Borrower in such matters as Regulatory Advice and Asset Management.

We confirm that Savills Advisory Services Limited does not have a material connection or involvement with the subject property or any other parties and there are no other factors that could limit the valuer's ability to provide an impartial and independent valuation. Accordingly, we are reporting on an objective and unbiased basis.

### 1.10. Valuer Details and Inspection

The due diligence enquiries referred to below were undertaken by Will Naismith MRICS and Catherine Wilson MRICS. The valuations have also been reviewed by Andrew Smith MRICS.

A representative sample of the stock was inspected externally by employees of Savills between the dates of $25^{\text {th }}$ June 2020 and $5^{\text {th }}$ July 2020. We inspected a further sample of properties internally during the period of $5^{\text {th }}-10^{\text {th }}$ December 2019 in connection with the $£ 60$ Million retained exercise. We understand that the New Bonds to be issued by the Issuer will be secured by, inter alia, an allocation of charged properties from the same shared security pool.

In accordance with our instructions, the Report has therefore been prepared on a desktop basis without reinspection. We are confident that we have thorough and up to date knowledge of the stock and a robust understanding of the properties and the submarkets, and the market in general in which this portfolio is placed.

All those above with MRICS qualifications are also RICS Registered Valuers and Savills Directors located in the Leeds and London offices. Furthermore, in accordance with VPS 3.7, we confirm that the aforementioned individuals have sufficient current local and national knowledge of the particular market and the skills and understanding to undertake the valuation competently.

### 1.11. Extent of Due Diligence Enquiries and Information Sources

The extent of the due diligence enquiries we have undertaken and the sources of the information we have relied upon for the purpose of our valuation are stated in the relevant sections of our Report below.

We have also reviewed the final form certificate of title prepared by Devonshires Solicitors LLP (the "Certificate of Title") for the original charge dated October 2014 and have review the final form certiciate created by Devonshires Solicitors LLP for the retained exercise dated December 2019 and can confirm that our valuations fully reflect the disclosures contained therein.

### 1.12. RICS Compliance

This report has been prepared in accordance with the RICS Valuation - Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the 'Red Book'.

## 2. Executive Summary of Valuation

### 2.1. Valuation of All Property

Based on the schedule of Properties provided by the Original Borrower and upon assumptions detailed in this Report, our opinions of value on the bases indicated as at the date of this Report are as follows:

Our opinion of value, in aggregate, of the 2,793 dwellings as mentioned at 1.2 above, on the basis of

- Market Value - Subject to Tenancies (MV-STT) is $£ 222,429,000$

Our opinion of value, in aggregate, of the 1,243 rented dwellings as mentioned at 1.3 above, on the basis of

## - Existing Use for Social Housing (EUV-SH) is $£ 70,368,000$

There are 201 properties which have been ascribed a nil value.

A breakdown of the categories of property concerned and their respective values is given at Section 6 below.

A summary of the valuations split between Freehold and Leasehold property is at Appendix 1. A full property schedule with apportioned values is included at Appendix 2.
3. The Properties

### 3.1. The Properties

### 3.1.1. Location and Description

There are 4,036 units within the Properties, excluding 201 units with nil value. They are spread across 16 , in the locations detailed below.

Table 1: Stock Location

| Local Authority | No of Units | Total \% |
| :---: | :---: | :---: |
| Barnsley | 550 | $13.6 \%$ |
| Bradford | 659 | $16.3 \%$ |
| Calderdale | 111 | $2.7 \%$ |
| Craven | 159 | $3.9 \%$ |
| Doncaster | 98 | $2.4 \%$ |
| East Riding of Yorkshire | 110 | $2.7 \%$ |
| Harrogate | 78 | $1.9 \%$ |
| Kirklees | 375 | $9.3 \%$ |
| Leeds | 583 | $14.5 \%$ |
| Rotherham | 83 | $2.1 \%$ |
| Ryedale | 230 | $5.7 \%$ |
| Scarborough | 5 | $0.1 \%$ |
| Selby | 113 | $2.8 \%$ |
| Sheffield | 42 | $1.0 \%$ |
| Wakefield | 573 | $14.2 \%$ |
| York | 267 | $6.6 \%$ |
| Total | 4,036 | $100 \%$ |

Source: Original Borrower (Excluding 201 Nil Value Units)

The stock dates mainly from the 1990's and early 2000's. However, there are some newer properties as well. The properties are located all within Yorkshire, with the largest concentration in Bradford, Barnsley and Leeds. The properties are situated in inner city areas as well as suburban areas with some located in more rural areas. In general the stock is located in secondary areas with some units tertiary areas. Overall the stock is located in areas with good local amenities and reasonable transport links. The design of the units is varied throughout the stock with a mixture of traditional red brick elevations and clad elevations. The majority of units have UPVC windows and doors. Yorkshire have confirmed to us that there is no MMC in the portfolio.

Our knowledge of the stock highlighted some clusters of apparent social deprivation, and some in areas with no deprivation. Our analysis of this using multiple deprivation indices provided by the Ministry of Housing, Communities and Local Government suggests that whilst there are pockets of poverty and affluence within the stock. The Index of Multiple Deprivation ("IMD") looks at seven domains of deprivation such as income, employment, education level, health and disability and crime, in our analysis we focus on the income domain.

The units are located primarily lower income areas, with over half of the units located in areas listed in the lower 30\% percentile for income deprivation. A smaller percentage is located inside the top $20 \%$ for least income deprived. The majority of the stock located inside the lower income areas is found in Barnsley and Bradford. Some of the higher income areas include Leeds, York and East Riding of Yorkshire.

Table 2 - Stock distribution by income decile

| Income Decile | Unit Count | Percentage \% |
| :---: | :---: | :---: |
| 1 | 853 | $21 \%$ |
| 2 | 793 | $19 \%$ |
| 3 | 697 | $17 \%$ |
| 4 | 249 | $6 \%$ |
| 5 | 350 | $9 \%$ |
| 6 | 277 | $7 \%$ |
| 7 | 311 | $8 \%$ |
| 8 | 215 | $5 \%$ |
| 9 | 197 | $5 \%$ |
| 10 | 150 | $4 \%$ |

The following tables and analysis relate to the properties to be charged to the Bonds only. The Properties can be summarised by type and tenure as follows:

Table 3: Property Mix

| Type | Flats | Houses | Total |
| :---: | :---: | :---: | :---: |
| General Needs - Rented | 773 | 1532 | 2305 |
| General Needs - Affordable | 268 | 789 | 1057 |
| Intermediate \& Market Rented | 163 | 202 | 365 |
| Supported - Social Rent | 86 | 1 | 87 |
| HOP - Social Rent | 84 | - | 84 |
| Shared Ownership | 23 | 115 | 138 |
| Total | $\mathbf{1 3 9 7}$ | $\mathbf{2 6 3 9}$ | $\mathbf{4 0 3 6}$ |

Source: Original Borrower (excluding 201 Nil Value units)

Please refer to Appendix 2 for a full list of the Properties.

### 3.1.2. Condition and Construction

The construction type varies across the portfolio, most are considered to be of conventional construction for their age and category. Houses are mainly of solid brick and block, cavity brick or timber frame construction with roofs being mainly pitched and covered in slate or tile. The more modern houses and flats are of cavity brick or timber frame construction with roofs being pitched and covered in tile.

The majority of the Properties have double glazed windows of timber, metal or UPVC casement type. In addition the majority of the Properties benefit from all mains services and gas fired central heating systems supplying radiators.

As instructed, we have not carried out a structural survey. However, we would comment, without liability that during the course of our inspections for valuation purposes, we observed that the Properties appear to be generally in reasonable condition, commensurate with their age, upkeep and renewal programmes.

Apart from any matters specifically referred to in this Report, we have assumed that the Properties are free from structural faults, or other defects and are in a good and lettable condition internally. The Report is prepared on this assumption.

### 3.1.3. Services

No detailed inspections or tests have been carried out by us on any of the services or items of equipment, therefore no warranty can be given with regard to their purpose. We have valued the Properties on the assumption that all services are in full working order and comply with all statutory requirements and standards.

### 3.2. Environmental Considerations

We have valued the Properties on the assumption that they have not suffered any land contamination in the past, nor are they likely to become so contaminated in the foreseeable future. However, should it subsequently be established that contamination exists at the Properties, or on any neighbouring land, then we may wish to review our valuation advice.

We have assumed there to be no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building constructed thereon.

### 3.3. Energy Act 2011

The provisions of the Energy Act 2011 make it unlawful to sell or let commercial or residential properties without an EPC rating, or with an EPC rating of $F$ or $G$ (the lowest 2 grades of energy efficiency).

Properties classified as low cost rental accommodation under section 69 of the Housing and Regeneration Act where the Landlord is a private registered provider of social housing, or where the landlord is a body registered as a social landlord under Chapter 1 or Part 1 of the Housing Act 1996, fall under the exemptions for the legislation.

However the properties would be required to be compliant in the event that they were in private ownership following enforcement of the security. We have valued on the assumption that the properties are compliant.

### 3.4. Town Planning

The "Property Documents" means the Certificate of Title and copies of standard tenancy agreements and various planning agreements in respect of the Properties valued in this Report.

We have not made specific planning enquiries for each site. We have therefore assumed for the purposes of this Report, save as set out in the Property Documents, that there are no planning conditions that would adversely affect the valuation.

### 3.5. Title and Tenure

### 3.5.1. Title

Our valuation reflects our opinion of value in aggregate of the freehold or long-leasehold interests (in each case) of the Properties owned by the Original Borrower and identified by the subject of this Report and scheduled at Appendix 2.

In respect of each Property which we have valued on the basis on MV-STT we confirm that we have reviewed the Certificate of Title and confirm that the relevant Property can be disposed of on an unfettered basis (i.e. subject only to existing tenancies disclosed in the Certificate of Title but not subject to any security interest, option or other encumbrance or to any restriction preventing or restricting its sale to or use by any person for residential use).

### 3.5.2. Tenancies

We have been supplied with copies of the standard tenancy agreements (Assured Shorthold Tenancy Agreements, an Assured Tenancy Agreements and a Starter Tenancy Agreement), all of which are in a standard format. Under the assured tenancy agreement rent can be reviewed once a year to an open market level. The tenant has the usual rights of appeal to the local Rent Assessment Committee.

Some of the purchase and repair units have an interim rent Assured Tenancy. We understand tht these tenancies will be changed to affordable rent Assured Tenancies over time.

The Assured Shorthold Tenancy Agreement is a weekly tenancy agreement with a continuous weekly term until rolling over into a Non-Shorthold Tenancy Agreement. The tenant has the right to refer the Rent payable to the Rent Assessment Committee in the first 6 months only. The Original Borrower may increase the rent with 4 weeks' notice, each year, in line with a rent formula.

There are versions of the above tenancy agreements that allow rent to be charged at an Affordable rent.

### 3.6. Rental Income

The rental income currently produced by the Properties, before deductions, is shown in the following table broken down by tenure and property type.

Table 3: Rental Levels 2021/22 - Average Per Week ( 52 Week Net)

| Lettings Type | Type | Average Net Rent per week <br> net (£) |
| :--- | :---: | :---: |
|  | H | 91.52 |
| General Needs Affordable Rented | F | 78.57 |
|  | Intermediate \& Market Rented | H |

Excludes Nil Value Units
Source: Original Borrower

## 4. Market Commentary

### 4.1. General Market Commentary

### 4.1.1. Economy

In common with other economies around the world, the UK economy suffered in 2020 as the COVID-19 pandemic was the dominant feature of the global economy. The UK Government increased borrowing to put in place significant support measures for the economy and businesses which should go some way to reduce the impact of the pandemic, however it is evident the economic impact will be significant.

Following a steep contraction during the first lockdown in April 2020, the Office for National Statistics ("ONS") estimates that UK GDP grew by $4.1 \%$ in the three months to November 2020. This reflects the easing of lockdown measures and some economic recovery. UK GDP fell by $2.6 \%$ in November 2020, with the second lockdown having a far smaller economic effect than the first. December 2020 is likely to show some economic growth. Current estimates anticipate a contraction in GDP growth of $9.8 \%$ in 2020 overall and negative GDP growth in Q1 2021 due to some post-Brexit adjustment and the third lockdown.

However the vaccine programme is being rolled out quickly in the UK and significant economic recovery in anticipated from Q2 2021 onwards. The short-term negative economic impact of lockdowns should be outweighed by the potential positive long-term health and economic impacts from controlling the virus and restoring confidence.

The Bank of England base rate is expected to remain at $0.1 \%$ for the foreseeable future and rise only gradually thereafter as the MPC attributes down-side risk to uncertainty regarding the COVID-19 pandemic's effect on future unemployment.

### 4.1.2. Housing Market - General

The pace of change in the UK housing market during 2020 was surprising. For seven and a half weeks from 23rd March to 13th May, the housing market was effectively in lockdown and transaction activity was severely suppressed. Since reopening, several factors caused a wave of activity in the market. Behavioural changes encouraged some occupiers to trade up the housing ladder, incentivised by the current stamp duty holiday, while others looked to move as they reassessed their work-life balance. In addition, there continued to be residual pent up demand in the market, supported by the highest level of mortgage approvals in almost 14 years in November 2020. Total growth for 2020 was $7.3 \%$, the highest in six years, which is unlike the pattern seen in any other recessionary period.

Savills Research anticipated that Q1 2021 is likely to see a strong level of activity as buyers rushed to beat the March stamp duty deadline - however this has now been extended. The pace of recovery during the rest of 2021 will depend on the state of the wider economy but on balance Savills expect the five year outlook for UK prices to be around $15 \%$, albeit with regional variations depending on major sectors of employment. The house price growth forecast for 2021 was originally set at zero, however the pace of the UK Housing market as resulted in a re-forecast and mainstream markets are now expected to grow by $4 \%$ in 2021.

The Government has recently extended notice periods for evictions to 6 months and confirmed no evictions will be enforced in local lock-down areas. No direct financial support for tenants has been given to date. However rental values tend to be more resilient than capital values during a downturn, and Savills Research expect rents to remain relatively resilient in the coming months and years. There may be modest falls in private sector rents paid over the next year as rental growth generally shows a correlation with income growth, with growth accelerating again as income growth returns.

### 4.1.3. Social Housing and Residential Investment Markets

The impact of the COVID-19 pandemic on sales transactions between Registered Providers has been limited. Registered Providers are working hard to support and safeguard their tenants and staff at this time. Thorough stress testing has been carried out with particular focus on rent arrears and bad debts, voids and operational costs, with some business plans updated, but impacts are expected to be relatively limited and many paused repair and development programmes have now re started. Sales transactions have continued to take place over the past six months, market activity remains steady and there has been no discernible impact on pricing.

Activity in the residential investment market has gradually resumed over the past three months and increasing numbers of transactions are taking place at pre-pandemic pricing/yields. Levels of rent collection and occupancy rates are also at prepandemic levels. However there remains some uncertainty over market activity and house price growth in 2021.

### 4.1.4. Residential Property Forecasts

After unexpectedly strong house price growth in 2020, Savills' most recent house price forecasts show continuing house price growth over the next five years. It is likely that much of the recent momentum in the market will be dampened by the impact of the COVID-19 pandemic during the second half of 2021, the extent of which is difficult to predict. We expect the pace of the subsequent recovery to vary across regions.

Our latest five year forecast for mainstream residential property is shown in the table below.

Table 4: UK House Forecasts \%pa

| Region | $\mathbf{2 0 2 1}$ | $\mathbf{2 0 2 2}$ | $\mathbf{2 0 2 3}$ | $\mathbf{2 0 2 4}$ | $\mathbf{2 0 2 5}$ | $\mathbf{5 Y e a r}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| North East | 3.5 | 4.5 | 4.0 | 3.5 | 3.5 | $\mathbf{2 0 . 5}$ |
| Yorkshire and The Humber | 4.5 | 6.0 | 4.5 | 5.0 | 4.5 | $\mathbf{2 8 . 2}$ |
| UK | 4.0 | 5.0 | 4.0 | 3.5 | 3.0 | $\mathbf{2 1 . 1}$ |

Source: Savills
The rental market has always varied across the country, but the impact of the COVID-19 pandemic has driven this variation to new heights, with annual rental growth to December 2020 at $+2.6 \%$ for the East of England but $-8.3 \%$ for London. The pandemic, and related lockdowns, has meant a unique combination of factors have disrupted the relationship between supply and demand, causing rental falls in some city centre markets but supporting the market for larger properties in other locations.

As the vaccination programme is rolled out we expect the mainstream market to progressively normalise; reversing some of the COVID-19 pandemic specific trends seen in 2020. In time, we expect rental growth to become primarily dictated by growth in incomes, much as it has done in the past. But, given the prospects for the wider economy, we foresee a period when the mainstream rental market remains price sensitive, to be followed by a burst of stronger rental growth that is predicted for 2022.

Table 5: Five-year forecast for mainstream rents

| Region | $\mathbf{2 0 2 1}$ | $\mathbf{2 0 2 2}$ | $\mathbf{2 0 2 3}$ | $\mathbf{2 0 2 4}$ | $\mathbf{2 0 2 5}$ | $\mathbf{5}$ years to 2025 |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
| UK Rental Growth | $\mathbf{0 . 8 \%}$ | $\mathbf{4 . 5} \%$ | $\mathbf{3 . 7 \%}$ | $3.5 \%$ | $3.5 \%$ | $\mathbf{1 7 \%}$ |
| London Rental Growth | $1.5 \%$ | $5.5 \%$ | $4.0 \%$ | $3.5 \%$ | $3.5 \%$ | $19.3 \%$ |
| UK Excluding London Rental Growth | $0.4 \%$ | $4.0 \%$ | $3.5 \%$ | $3.5 \%$ | $3.5 \%$ | $15.9 \%$ |
| UK Income Growth | $0.5 \%$ | $5.2 \%$ | $3.8 \%$ | $3.5 \%$ | $3.3 \%$ | $17.3 \%$ |

### 4.2. Local Market Conditions

The sales volume and average sales price in the local authorities where the Properties are concentrated is illustrated by the Land Registry data in Chart 1 below.

They show that the market has recovered since the financial crisis caused a dip in prices 2009.

Chart 1: Sum of Sales Volume and Average Property Prices


Source: HM Land Registry

The local markets in the four main areas of the bond have remained resilient over the past 12 months and have seen growing average price levels, there has been a continuation of the normal trend in housing of a lack of supply with the RICS noting a significant drop in new instructions compared to enquires to buy. Although the prices were given a boost over the past 12 months there was a continuation in the trend of decreasing sales volumes in all four markets. There has been a drive of the countryside and rural parts Yorkshire as people move out of City Centres in search of garden space. Families and first time buyers remain the most active in the Leeds and Wakefield with investors of buy to let properties still being the market drivers in Bradford. Agents suggested the in comparison to end of 2020, 2021 had been a relatively slow start. They are optimistic that extensions of the SDLT holiday and the introduction of $5 \%$ mortgages will drive a summer surge in June and July. Agents in the greater Barnsley area had reported that the market was generally a bit queiter than normal but they are still receiving multiple bids per property.

The rental market has generally continued to be active however Leeds City Centre suffered a drop in rental values with rents moving downwards on average by around $1.2 \%$. This is trend seen in a lot of major cities over the past year. Agents are hopeful that there will be a boost to the market and rents will recover over the next 6 months or so.

### 4.3. Comparable Evidence

In order to provide market values and rental values we have used market sales and asking prices and achieved prices where available on properties in the immediate area to the subject units, including Rightmove, Rightmove plus and agents' own websites and discussions with local agents where necessary.

We undertake detailed research into comparable sales and market lettings and details of these are kept on our files for audit purposes.

All sale values were considered as open and not forced sales, however it must be noted that due to the effective suspension of the sales market, comparable transactions relied upon are pre COVID-19 values. To assess values for resale research was undertaken using readily accessible sources that included:

- Determination of the area of similar properties related to market / social sector
- Land Registry information on recent completed sales for the immediate post code and where necessary those of the adjoining areas
- Review of values for similar size and type of properties being marketed in the area of the actual location

Where possible, discussion with agents and sales personnel on private sites has been completed. A comparison between the particular size, quality and condition of the property viewed was related to that of any known sales values in order to make a judgement made as to what could be considered as a fair value.

### 4.4. Vacant Possession Values

Table 6 below shows the average vacant possession values for the properties included within the valuation summarised by type and bedroom number.

Table 6: Vacant Possession Values Example

| Savills Property Type | Bedrooms | Number of Units | Average VP Value (£) |
| :---: | :---: | :---: | :---: |
| Houses and Bungalows | 1 | 118 | 80,000 |
|  | 2 | 1258 | 125,750 |
|  | 3 | 1087 | 148,000 |
|  | 4+ | 176 | 156,000 |
| Average VP value of all Houses \& Bungalows |  | 2639 | 135,000 |
| Flats and Bed-Spaces | 0 | 6 | 45,000 |
|  | 1 | 639 | 70,000 |
|  | 2 | 736 | 125,000 |
|  | 3 | 15 | 165,000 |
|  | 4+ | 1 | 240,000 |
| Average VP value of all Flats \& Maisonettes |  | 1397 | 100,000 |

[^0]
### 4.5. Market Rents

Table 7 below shows the average rental values (per calendar month) for the Properties included within the valuation summarised by type and bedroom number.

Table 7: Average Market Rents Example

| Savills Property Type | Bedrooms | Number of Units | Average Market Rent (£pcm) |
| :---: | :---: | :---: | :---: |
| Houses and Bungalows | 1 | 118 | 440 |
|  | 2 | 1258 | 525 |
|  | 3 | 1087 | 600 |
|  | 4+ | 176 | 745 |
| Average Market Rent of all Houses \& Bungalows |  | 2639 | 565 |
| Flats and Bed-Spaces | 0 | 6 | 120 |
|  | 1 | 639 | 415 |
|  | 2 | 736 | 585 |
|  | 3 | 15 | 725 |
|  | 4+ | 1 | 870 |
| Average Market Rent of all Flats \& Maisonettes |  | 1397 | 510 |

[^1]
## 5. Valuation Advice

## savills

### 5.1 Existing Use Value For Social Housing - Valuation Approach

### 5.1.1 Approach to EUV-SH

EUV-SH for loan security assumes the property will be disposed of by a mortgagee in possession to another registered provider of social housing ("RP") who will continue the use of the properties for social housing. These organisations will calculate their bid according to their projected income and outgoings profile which they would estimate the properties would produce under their management. This basis assumes rents will remain affordable to those in low paid employment and that all vacant units be managed within the aims and objectives of an RP.

We consider that the appropriate method of valuation is to use a discounted cash flow ("DCF"). The DCF allows us to project rental income and expenditure over the term of the cash flow to arrive at an annual surplus or deficit, which is then discounted to a net present value. However it is also necessary to consider comparable transactional evidence where available.

### 5.1.1. Principal DCF Variables

The DCF assumptions are derived from information received from the Original Borrower and economic data. The table below sets out our principal assumptions. More detailed discussion on discount rate, adopted rent levels and rental growth is contained in the following sections.

Table 8: DCF Variables - Rented Properties Example

| DCF Variable | Unit Count | Amount | Year | Variable Unit | Source |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Current Rent | 2,469 | 86.42 | Current | £ per week | Original Borrower |
| Maximum "convergence" Rent |  | 97.27 | Current | £ per week | Savills |
| Affordable Rent | 1,056 | 98.55 | Current | £ per week | Original Borrower |
| Intermediate \& Market Rent | 365 | 124.04 | Current | £ per week | Original Borrower |
| Voids and bad debts | 4.00-5.50 |  | Current | \% of Rent | Savills |
| Turnover | 8.00-10.00 |  | Current | \% pa | Savills |
| Management costs | 675-725 |  | Current | $£$ per unit pa | Savills |
| Cyclical \& Responsive maintenance costs | 700-725 |  | Current | $£$ per unit pa | Savills |
| Programmed Maintenance costs | 900-1,250 |  | Current | $£$ per unit pa | Savills |
| Rental Inflation | 1.60 |  | Year 1 | \% real pa | Savills |
|  | 1.90 |  | Year 2 |  |  |
|  | 1.80 |  | Year 3-4 |  |  |
|  | 2.00 |  | Year 5+ |  |  |
| Maintenance cost inflation | 1.00 |  | Year 1 | \% real pa |  |
|  | 0.50 |  | Year 2 |  |  |
|  | 0.70 |  | Year 3 |  | Savills |
|  | 0.95 |  | Year 4 |  |  |
|  | 1.00 |  | Year 5+ |  |  |
| Programmed cost inflation | 0.75 |  | Year 1 | \% real pa |  |
|  | 1.75 |  | Year 2 |  | Savills |
|  | 2.20 |  | Year 3-4 |  | Savils |
|  | 0.50 |  | Year 5+ |  |  |

### 5.1.2 Discount Rate

There is no hard-and-fast rule for determining the most appropriate rate to be adopted in a discounted cash flow. The discount rate is probably the most important variable in the model since it determines the net present value of future predicted income and expenditure flows for the property in question. Our role as valuers is to interpret the way in which potential purchasers of the stock would assess their bids. The market for this stock will be within the RP sector.

Effectively, the discount rate is representative of both the long-term cost of borrowing for an acquiring organisation and the risks implicit in the property portfolio concerned. The current level of long-term interest rates and the overall cost of funds must be reflected in our valuation. In addition to considering the cost of funds, we also need to make an allowance for the risk which attaches to our cashflow assumptions - some of which may be subject to a higher degree of risk than those generally made in the business plans. The margin for risk needs to be considered on a case-by-case basis, having regard to the nature of the stock.

Currently, the yield on 30 year Gilts is around $1.35 \%$. This is in effect the risk free discount rate. Yields on Housing Association long dated, rated and unrated bonds are running typically around $2.00 \%$ to $2.25 \%$ (Source: Social Housing, April 2021).

Activity in the bond market over the past couple of months included the public rated issues in May 2021 of Beyond 2.13\% (0.90\% Spread), Paradigm 2.25\% ( $0.88 \%$ Spread), April 2021 of PA housing on a 15 year fixed rate bond with an all-in coupon of $2.00 \%$ (0.87\% Spread).

Further deals in 2021 include Onward a 32 year bond at a coupon of $2.13 \%$ ( $0.88 \%$ Spread) in March 2021, LivWest a 35 year bond at a coupon of $1.88 \%(0.90 \%$ Spread) in February 2021. Starting the year we saw Aster secure a 15 year fixed rate bond at an all-in coupon of $1.41 \%$ (Spread $0.80 \%$ ) in Jan 2021. At the tail end of 2020 coming out of a year dominant by Covid-19 we saw the following deals in August 2020 of Hyde 1.75\% (1.30\% Spread), Platform 1.625\% (0.97\% Spread)

Since the COVID-19 crisis began there have been a number of transactions in addition to the above, Optivo issued a 15 year fixed rate bond with an all-in coupon of $2.857 \%$ ( $2.3 \%$ spread), Sanctuary a 30 year bond at a coupon of $2.375 \%$ ( $1.7 \%$ spread), and Guinness a 30 year bond at a coupon of $2.02 \%$ ( $1.45 \%$ spread). More recently Onward Homes secured a 32 year bond at a coupon on $2.125 \%(0.88 \%$ Spread). CHP secured a 22 year Bond Tap at a coupon of $2.576 \%$ ( $1.335 \%$ Spread) In November Orbit issued a Bond with a $2.0 \%$ coupon ( $1.35 \%$ Spread). In February 2021 Live West secured a 35 year new issue at a coupon of $1.904 \%$ ( $0.90 \%$ Spread).

The supply of traditional long term (25 or 30 year) funding has diminished and is only available from a handful of lenders. Shorter term traditional funding ( $5-7$ years) and funding with in-built options to re-price margins at a future date are commonplace, introducing a degree of re-financing risk to business plans.

Notwithstanding this, many business plans are typically being run at nominal interest rates at 'all-in' long term (30 year) cost of funds including margin of around $4-5 \%$, reflecting the availability of long term finance from the capital markets but also future refinancing risk.

Given the sustained reduction in funding costs our view is that for good quality, generally non-problematical stock, a discount rate between $4.0 \%$ and $4.5 \%$ real is appropriate (over a long-term CPI inflation rate of $2 \%$ ). A greater margin for risk will be appropriate in some cases. We would expect to value poorer stock at rates around $4.5 \%$ to $5.0 \%$ real. On the other hand, exceptional stock could be valued at rates around $3.5 \%$ to $4.0 \%$ real. We would stress our cashflows are run in perpetuity and not over 30 years.

We have adopted a higher discount rate of $4.50-5.50 \%$ real over an assumed CPI inflation rate of $2.0 \%$. This is the rate applied over the cashflow run in perpetuity.

For your information our valuation implies a real discount rate over a 30 year cashflow of $2.87-4.47 \%$.

### 5.1.3 Social Rents - Savills "Convergence" Rents and Rental Growth

Registered Providers are required to set their Social Rents in accordance with Rent Standard Guidance issued by the Regulator of Social Housing. The Guidance sets out a formula for calculating most Social rents which reflects property values, local earnings and bedroom size. From April 2020 the new Rent Policy Statement will apply which allows for existing rents to rise at CPI $+1 \%$.

Some latitude is given in that rents for new lettings can be no more than $5 \%$ higher than their formula level. For sheltered and supported properties the margin is extended to $+10 \%$. The rents produced by the formula are net of service charges. Service charges are expected to be charged over and above the rents and to reflect what is actually being provided to tenants.

Mortgagees in possession and their successors in title are not bound by the provisions of the Rent Standard. In theory, therefore, a purchaser could base a bid for the properties on rents up to open market levels as permitted under the terms of the tenancy agreements. However any RP purchaser would need to set rents that are consistent with its objectives as a social housing provider.

We therefore believe that a purchaser in a competitive transaction is likely to set rents at a level which they would consider are the maximum affordable to those in low paid employment locally. We assume they would intend to charge such rents for new tenants and increase existing rents to a sustainable and affordable rent over a reasonable period.

The average rents across the charged stock are set out below, along with the current formula rents and our assessed sustainable affordable rent or "convergence" rent. We have adopted the convergence rents in our valuation.

Table 9: Current, Formula and Convergence Rents 2021/22 (pw - 52 Weeks) Example

| Type | Estimated Tenant <br> Household <br> Incomes | Net Rent | Savills Convergence <br> Rent | Savills Convergence <br> Rent Afford. Ratio \% | Market Rent |
| :---: | :---: | :---: | :---: | :---: | :---: |
| House | $£ 477.24$ | $£ 91.52$ | $£ 103.59$ | $21.71 \%$ | $£ 133.28$ |
| Flat | $£ 363.26$ | $£ 78.13$ | $£ 87.01$ | $23.95 \%$ | $£ 111.02$ |
| Total | $£ 433.83$ | $£ 86.42$ | $£ 97.27$ | $\mathbf{2 2 . 4 2 \%}$ | $£ 124.80$ |

Source: Original Borrower \& Savills

We have assumed all rents will converge to our convergence rent in 5 years' time. The annual rent increases have been limited to $3 \%$ per annum nominal.

In the long term, in order to maintain consistent levels of rent affordability, the maximum possible rate of rent growth will be growth in local household incomes which is currently predicted to be $2.76 \%$ pa on average over the next 10 years in this area. We have therefore assumed that after they have converged rents will increase at CPI $+1 \%$ per annum.

We have relied on the current rents supplied by the Original Borrower in carrying out this valuation. We have not carried out any validation of or research into the rents supplied.

### 5.1.4 Affordable Rents

In certain circumstances, RPs are able to offer new assured tenancies at intermediate rents at up to $80 \%$ of the market rent such rents are known as 'Affordable' as opposed to 'Social' rents. The ability to charge the higher rents is dependent upon the RP having a Development Framework contract with the Regulator of Social Housing or a Short Form Agreement where they are not in the Development Framework.

There are currently 1,056 Affordable Rent Properties. The current average rent for these units is $£ 98.55$ per week. These Properties have been included in our valuation at their current Affordable Rent levels.

Under the Rent Standard the rents payable for Affordable Rent tenancies increases annually by CPI plus 1\% per annum. Rents are rebased to market rent upon the granting of a new tenancy. We have assumed that a purchaser from a mortgagee would increase existing Affordable Rents in line with movements in market rents over the long term.

Market rents tend to increase in line with household incomes. Income growth forecasts for the subject are currently 3.03\% per annum on average. We have therefore assumed that rents will increase at CPI $+1 \%$ pa.

### 5.1.5 Sales Between Registered Providers - Transactional Evidence

Until recently evidence of sales between RPs was extremely limited - most transactions were simple transfers of engagements. However in recent years there has been a growing body of transactional evidence from competitive sales between RPs of tenanted stock. The evidence confirms RPs have a consistent tendency to pay a higher sum for some social housing portfolios than would be suggested by traditional, purely cashflow driven, EUV-SH valuations. We have been heavily involved in this emerging market and have a database of transactions covering circa 50,000 units.

Although the body of evidence is relatively small compared to the total RP stock in the UK and the market is still immature, we are able to derive a view of the prices achieved for certain kinds of stock and lot sizes. Assuming a sensible lotting of units in smaller batches of circa 100 units, bids between $5 \%$ to $30 \%$ above traditional EUV-SH levels, and exhibiting gross initial yields of around $8 \%$, are common for more modern stock in reasonable proximity to amenities. In addition it can be seen that gross yields of between $4 \%$ and $8 \%$ were consistently achieved on such sales prior to the COVID-19 pandemic. Please see section 4.1.2 for market commentary.

In contrast it is apparent that for lots exceeding around 200 properties the prices achieved appear to be in line with the traditional, cashflow approach to EUV-SH. We have looked at the sales evidence, in particular regard sales within the last 2 to 3 years.

We have considered this evidence and have consulted with colleagues active in the marketing of social housing portfolios.

### 5.2 Market Value Subject to Tenancies (MV-STT) General Properties - Valuation Approach

### 5.2.1 Valuation Methodology - MV-STT of the Non-LSVT Stock

We assess the MV-STT in two ways; firstly by applying a discount to Market Value with Vacant Possession ("MV-VP") and secondly by applying a yield to rental income.

The valuation of properties and portfolios subject to Assured and Secure Tenancies is carried out with direct reference to comparable evidence, gleaned from the sales of similar tenanted portfolios and individual units, and sold subject to Protected Tenancies and on Assured Shorthold Tenancies. There is an established body of evidence from portfolios traded on the open market to which we can refer.

Investors tend to base their bid on their ability to "trade out" individual units at Market Value assuming vacant possession over time. In locations where there is a limited market or where a property is difficult to trade, owing to style or market conditions, investors will base their bid on rental return compared to capital cost.

The discount to MV-VP ranges from 10\% for prime property to $50 \%$ where market conditions are difficult. Typical rates are around a $20 \%$ to $30 \%$ discount to MV-VP for properties subject to AST tenancies.

The yield applied to net income varies from $4 \%$ or less for prime property, to $8 \%$ or more for poorer locations. This equates to a yield on gross income (after deductions for management, maintenance \& voids) of between $6 \%$ to $12 \%$ and possibly higher for sheltered accommodation.

During the first COVID-19 lockdown situation, the Residential Investment deals actually continued and new transactions happened. The market has mirrored market sales with a healthy appitite from investors.

Under more normal market conditions we expect that the properties would attract good demand if brought to the market.

The discount and yield applied in our valuations has been adjusted to reflect the additional security of tenure RP tenants benefit from.

### 5.2.2 Principal Assumptions - MV-STT

We have considered the above in arriving at our valuation. The yield and other principal assumptions adopted for those 840 properties valued at MVSTT are set out below.

Table 10: MV-STT Assumptions

| Variable | Variable | Year | Amount |
| :---: | :---: | :---: | :---: |
| Gross Annual Rental Income* | $£$ | Current Year | $18,324,240$ |
| Voids | \% of Rent Debit p.a. | Current Year | $1.50-2.50$ |
| Management | \% of Rent Debit p.a. | Current Year | $10.00-21.00$ |
| Maintenance | \% of Rent Debit p.a. | Current Year | $10.00-21.00$ |
| Average Resultant Net Yield | \% | Current Year | 6.05 |

## Source: Savills

*Note: market rent assumed

### 5.2. Shared Ownership - Valuation Approach

### 5.2.1. General

The Original Borrower has a portfolio of 138 properties subject to Shared Ownership leases in charge. They retain around $50.78 \%$ of the equity in their units, overall. Please see Appendix 2 for details of the properties, shares held and rental income produced.

### 5.2.2. Valuation Approach

Shared Ownership property produces a rental income dependant on the percentage owned by the leaseholder and the percentage retained by the lessee. As leaseholders have a stake in the property, arrears and default are comparatively rare and landlords can retrieve management costs. Maintenance does not erode rental income as the leaseholder is responsible.

Shared Ownership property thus produces good quality, low risk rental income on the share retained. In addition capital receipts can arise when the leaseholder decides to acquire the whole or a portion of the remaining equity, which usually happens when they decide to sell and move on, or on the occurrence of default.

We use a discounted cashflow model designed for the valuation of Shared Ownership property which projects future rent and outgoings to arrive at a net present value. This cashflow can be tested with a variety of staircasing and default scenarios.

In this case we have assumed that most service costs can be recouped through service charges and that management income and the management charge equals the management expenditure.

We have assumed that up to $5 \%$ per annum of the shared ownership properties would staircase to $100 \%$ in the first few years.

We have applied a discount rate of $4.5 \%$ real reflecting the very secure nature of Shared Ownership income.

### 5.2.3. Shared Ownership Valuations Principal DCF Assumptions

Our principal valuation assumptions are as follows:

Table 11: Shared Ownership Assumptions

| Variable | Unit of Cost | Year | Variable Amount |
| :---: | :---: | :---: | :---: |
| Discount rate | $\%$ | Year 1 | 4.50 |
| Average rent | $£ p w$, with adjustments for share | Current | 49.13 |
| Management cost | $£$ pu/pa | All Years | 150 |
| MV-VP | $£$ average | Current | 149,399 |

Source: Savills

## 6. Valuations

### 6.1. Valuation of Freehold and Leasehold Property that may be disposed at MV-STT

Properties that may be disposed of by a mortgagee in possession at MV-STT, that is on an unfettered basis (meaning subject to existing tenancies but otherwise with vacant possession and not subject to any security interest, option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use) as referred to in paragraph 1.2 above.

Our opinion of value, in aggregate, of the 2,793 dwellings as mentioned at 1.2 above, on the basis of

- Market Value - Subject to Tenancies (MV-STT) is $£ 222,429,000$ (Two Hundred and Twenty Two Million, Five Hundred and Seventy Two Thousand Pounds)

For information purposes only, our opinion of value, in aggregate, of those $2,793 \mathrm{MV}$-STT properties, valued on the basis of EUVSH is $£ 157,004,000$ (One Hundred and Fifty Seven Million, Four Thousand Pounds).

Table 12: Valuation of Freehold and Leasehold Property that may be disposed at MV-STT

| Category of Property | Number of Dwellings | Market Value - Subject to <br> Tenancies (MV-STT) | EUV-SH - For Information <br> purposes only |
| :--- | :---: | :---: | :---: |
| Freehold | 2,609 | $205,003,500$ | $£ 145,302,500$ |
| Leasehold | 184 | $17,425,500$ | $£ 11,701,500$ |
| Total | $\mathbf{2 , 7 9 3}$ | $\mathbf{2 2 2 , 4 2 9 , 0 0 0}$ | $\mathbf{1 5 7 , 0 0 4 , 0 0 0}$ |

### 6.2. Valuation of Freehold and Leasehold Property that may be disposed at EUV-SH

Our opinion of value, in aggregate, of the 1,243 rented and Shared Ownership properties as mentioned at 1.3 above, on the basis of

- Existing Use for Social Housing (EUV-SH) is $£ 70, \mathbf{3 6 8 , 0 0 0}$ (Seventy Million, Four Hundred and Thirty One Thousand Pounds)

Table 13: Valuation of Freehold and Leasehold Property that may be only by disposed at EUV-SH

| Category of Property | Number of Dwellings | Existing Use Value for Social <br> Housing (EUV-SH) |
| :--- | :---: | :---: |
| Freehold | 1,052 | $59,560,500$ |
| Leasehold | 191 | $10,807,500$ |
| Total | $\mathbf{1 , 2 4 3}$ | $\mathbf{7 0 , 3 6 8 , 0 0 0}$ |

There are 201 properties which have been ascribed a nil value.

### 6.3. Additional Advice

### 6.3.1. Lending Against MV-STT

With reference to paragraph 3.4 on Tenure, it is essential that before lending on MV-STT the lender confirms that the development or valuation group is capable of being let at a Market Rent, or disposed of free from restrictions, should the lender take possession. If there are enforceable "Housing Restrictions" in title, planning approval, s. 106 agreements or by separate Nomination agreements, that, for example, limit disposal to RPs only or binding contractual nominations then the correct relevant valuation basis is EUV-SH and not MV-STT.

We must also stress that it is up to investors to assess the terms of the Bonds and the amount of lending based on the valuations herein. We have set out the current rental income at Appendix 2 but make no warranty that the current income is sufficient to support lending against MV-STT either on individual valuation groups or against the whole portfolio.

It is up to investors to assess what level of lending against MV-STT is prudent based on an RP's asset and income cover. Savills makes no recommendation of the maximum level of borrowing the Original Borrower is capable of supporting globally based on MV-STT.

### 6.4. Lotting and Value Disaggregation

We have valued the Properties in appropriate lots. As a result we have not assessed individual valuations for each Property. We have, however, provided a disaggregation of the overall valuation figures by reference to the appropriate rent and these figures are shown on the property schedule at Appendix 2.

The investors must be aware that the per unit figures shown in the schedule should not be regarded as individual valuations of the Properties. They are provided as indicative figures for administrative purposes only.

### 6.5. COVID-19: Market Conditions Explanatory Note

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy - with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date the UK property markets have resumedand have faired relatively well during the second lockdown and as the lockdowns are eased, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.

For the avoidance of doubt this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date
7. Suitability and Verification

### 7.1. Suitability as Loan Security

### 7.1.1. Investor's Responsibility

It is usual for a valuer to be asked to express an opinion as to the suitability of a property as security for a loan, debenture, bonds or mortgage. However, it is a matter for the investors to assess the risks involved and make their own assessment in fixing the terms of the bonds, such as the percentage of value to be advanced, the provision for repayment of the capital, and the interest rate.

In this Report we refer to all matters that are within our knowledge and which may assist you in your assessment of the risk.

We have made subjective adjustments during our valuation approach in arriving at our opinion and whilst we consider these to be both logical and appropriate they are not necessarily the same adjustments which would be made by a purchaser acquiring the properties.

Where we have expressed any reservations about any Property we have reflected these in the valuation figure reported. However it may be that the purchasers in the market at the time the property is marketed might take a different view.

### 7.1.2. Suitability as Security

We have considered each of the principal risks associated with the Properties within the context of the wider property market and these risks are reflected in our valuation calculations and reported figures as appropriate.

Overall, we consider that the Properties provide good security for bonds secured upon it, which reflects the nature of the Properties, our reported opinions of value and the risks involved.

### 7.2. Verification

This Report contains many assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others. Some information we consider material may not have been provided to us. All of these matters are referred to in the relevant sections of this Report.

We recommend that the investors satisfy themselves on all these points, either by verification of individual points or by judgement of the relevance of each particular point in the context of the purposes of our valuations. Our Valuations should not be relied upon pending this verification process.

We trust that the above is acceptable for your purposes. Should you have any queries, please do not hesitate to contact us.

## Yours faithfully

For and on behalf of Savills Advisory Services Limited

## Will Naismith MRICS

RICS Registered Valuer
Associate


Catherine Wilson MRICS
RICS Registered Valuer
Director

## APPENDIX 1 <br> Executive Summary of Properties

Yorkshire Housing - Bond Revaluation
Oct-21

|  | Category | Unit Count | MV-STT 2021 |
| :--- | :---: | :---: | :---: |
| 1. FH MV-STT | 2609 | $£ 205,003,500$ | EUV-SH 2021 |
| 2. LH MV-STT | 184 | $£ 17,425,500$ | $£ 145,302,500$ |
| 3. FH EUV-SH | 1052 | $£ 0$ | $£ 11,701,500$ |
| 4. LH EUV-SH | 191 | $£ 0$ | $£ 59,560,500$ |
| Excluded | 52 | $£ 0$ |  |
| Nil Value | 149 | $£ 0$ |  |
| Grand Total | 4237 | $£ 222,429,000$ | $£ 227,372,000$ |

## APPENDIX 2 <br> Schedule of Properties

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Yorkshire Housing - Bond Revaluation
Oct-21


## APPENDIX 3

Map of Properties

STOCK LOCATION MAP

## APPENDIX 4 <br> General Assumptions

## BASES OF VALUE \& GENERAL ASSUMPTIONS AND CONDITIONS

## 1. Basis of Valuation - definitions

## Assumption

A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, do not need to be verified by the valuer as part of the valuation process. Typically, an assumption is made where specific investigation by the valuer is not required in order to prove that something is true (RICS Valuation - Global Standards, 2020).

## Depreciated Replacement Cost

The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (RICS Valuation - Global Standards, 2020).

## Equitable Value

The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (IVS 104 - Bases of Value), (RICS Valuation - Global Standards 2020).

## Existing Use Value

The estimated amount for which an asset or liability should exchange on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost (RICS Valuation - Global Standards 2017, UK national supplement).

Existing Use Value is to be used only for valuing property that is owner occupied by a business, or other entity, for inclusion in financial statements.

## Existing Use Value for Social Housing (EUV-SH)

An opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the valuation date, assuming:
a) a willing seller
b) that prior to the valuation date there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest for the agreement of the price and terms and for the completion of the sale
c) that the state of the market, level of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation
d) that no account is taken of any additional bid by a prospective purchaser with a special interest
e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion
f) that the property will continue to be let by a body pursuant to delivery of a service for the existing use
g) that the vendor would only be able to dispose of the property to organisations intending to manage their housing stock in accordance with the regulatory body's requirements
h) that properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and
i) that any subsequent sale would be subject to all the same assumptions above. (UK VPGA 7)

## External Valuer

A valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client or the subject of the assignment. (RICS Valuation - Global Standards 2020). Unless otherwise stated, External Valuer does not refer to the role of an external valuer within the context of the Alternative Investment Fund Managers Directive 2011/61/EU and its implementing provisions in the United Kingdom unless agreed otherwise in writing.

## Equitable Value

The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (IVS 104 - Bases of Value), (RICS Valuation - Global Standards 2020).

## Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (RICS Valuation - Global Standards 2020).

## Gross Development Value (GDV)

The aggregate market value of the proposed development, assessed on the assumption that the development is complete at the date of valuation in the market conditions prevailing at that date.

## Investment Value (or Worth)

The value of an asset to a particular owner or prospective owner for individual investment or operational objectives (RICS Valuation - Global Standards 2020).

## Market Rent

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion (RICS Valuation - Global Standards 2020).

## Market Value

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion (RICS Valuation - Global Standards 2020).

## Special Assumption

An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date (RICS Valuation - Global Standards 2020).

## Appendix 2: General assumptions and conditions applicable to all valuations

Unless otherwise agreed in writing and /or stated in our report, our Valuation will be carried out on the basis of the following general assumptions and conditions in relation to each Property that is the subject of our Report. If any of the following assumptions or conditions are not valid, this may be that it has a material impact on the figure(s) reported and in that event we reserve the right to revisit our calculations.

1. That the Property(ies) is/are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. Should there be any mortgages or charges, we have assumed that the property(ies) would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.
2. That we have been supplied with all information likely to have an effect on the value of the Property(ies), and that the information supplied to us and summarised in this Report is both complete and correct.
3. That the building(s) has/have been constructed and is/are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.
4. That the Property(ies) is not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
5. That the building(s) is/are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building(s) we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the Property(ies) and our Report do not constitute a building survey or any warranty as to the state of repair or refurbishment of the Property(ies). Our Valuation is on the basis that a building survey would not reveal material defects or cause us to alter our Valuation materially.
6. That there is unrestricted access to the Property(ies) and that the site(s) is/are connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. Sewers, mains services and roads giving access to the Property(ies) have been adopted, and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and the use of communal grounds, parking areas and other facilities.
8. That in the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
9. That the Property(ies) is/are free from environmental hazards and has/have not suffered any land contamination in the past, nor is likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
10. That any tenant(s) is/are capable of meeting its/their obligations, and that there are no arrears of rent or undisclosed breaches of covenant.
11. In the case of a Property(ies) where we have been asked to value the site under the special assumption that the Property(ies) will be developed, there are no adverse site or soil conditions, that the Property(ies) is/are not adversely affected by the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.
12. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property(ies).
13. Our Valuation will be exclusive of VAT (if applicable).
14. No allowance will be made for any expenses of realisation.
15. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
16. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.
17. In the case of a Property(ies) where there is a distressed loan we will not take account of any possible effect that the appointment of either an Administrative Receiver or a Law of Property Act Receiver might have on the perception of the Property(ies) in the market and its/their subsequent valuation, or the ability of such a Receiver to realise the value of the property(ies) in either of these scenarios.
18. No allowance will be been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EU legislation, insofar that the latter is applicable.
19. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct.

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## Catherine Wilson MRICS

Director
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Catherine.Wilson@savills.com

## Taxation

## United Kingdom Taxation

The following applies only to persons who are the absolute beneficial owners of Bonds and the income thereon, who are resident (and, in the case of Bondholders who are individuals, domiciled) solely in the United Kingdom, and who hold their Bonds as investments. It is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue \& Customs (HMRC) practice relating to certain aspects of United Kingdom taxation as at the date of this Prospectus. References to "interest" refer to interest as that term is understood for United Kingdom tax purposes. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change at any time in the future, possibly with retrospective effect. Prospective Bondholders may be subject to tax in a jurisdiction other than the United Kingdom. This is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Bonds and it is not intended to be, nor should it be considered to be, legal or tax advice. Prospective Bondholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

## Interest on the Bonds

## Payment of interest on the Bonds

Payments of interest by the Issuer on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the ITA 2007). The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Bonds that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Bondholder, HMRC can issue a notice to the Issuer to pay interest to the Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

## Further United Kingdom Income Tax Issues

Interest on the Bonds that constitutes United Kingdom source income for tax purposes may, as such, be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Bondholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable (and where that Bondholder is a company, unless that Bondholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the

Bonds are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

## United Kingdom Corporation Tax Payers

In general, Bondholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

## Other United Kingdom Tax Payers

## Taxation of Chargeable Gains

The Bonds will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder of a Bond will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

## Accrued Income Scheme

On a disposal of Bonds by a Bondholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the ITA 2007 if that Bondholder is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable.

## Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Bonds or on a transfer by delivery of the Bonds.

## The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the Commission's Proposal) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission's Proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States of the European Union may decide to participate.

It is not clear how the FTT would apply to the UK notwithstanding the UK's withdrawal from the European Union. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

## General Information

## Authorisation

The issue of the New Bonds has been approved by a resolution of the board of directors of the Issuer dated 15 September 2021.

## Listing of Bonds

It is expected that the official listing of the Bonds will be granted on or about 8 October 2021 subject only to the issue of the Temporary Global Bond.

Application has been made to the FCA for the New Bonds to be admitted to the Official List and to the London Stock Exchange for the New Bonds to be admitted to trading on the London Stock Exchange's main market.

The Issuer estimates that the total expenses related to the admission to trading will be $£ 7,800$. The Original Borrower shall pay to the Issuer, inter alia, an amount equal to such expenses in accordance with the Original Loan Agreement.

## Documents Available

For the period of 12 months following the date of this Prospectus, the following documents will, be available for inspection on the Issuer's website at https://www.yorkshirehousing.co.uk/aboutus/investors/:
(a) the constitutional documents of the Issuer and each Borrower;
(b) the Bond Trust Deed, the Issuer Security Deed, the Accession Deed and the Security Trust Deed;
(c) the Valuation Report;
(d) the Financial Statements (the Issuer and the Original Borrower each currently prepare audited accounts on an annual basis); and
(e) the most recently published audited annual financial statements (if any) of the Issuer and each Borrower and the most recently published unaudited interim financial statements (if any) of the Issuer and each Borrower, in each case together with any audit or review reports prepared in connection therewith.

In addition, for the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in London:
(a) the Agency Agreement, the Account Agreement, the Custody Agreement, the Retained Bond Custody Agreement, the Loan Agreements, the Incorporated Terms Memorandum and the Legal Mortgages;
(b) a copy of this Prospectus; and
(c) any future offering circulars, prospectuses and information memoranda and any other documents incorporated therein by reference.

## Clearing Systems

The New Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg.
The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## Idenfitication Codes

The LEI of the Issuer is 213800 Y8UNLWBP74TZ18.

The temporary ISIN for the New Bonds (which will apply for so long as the New Bonds are represented by the Temporary Global Bond) is XS2379191492. Upon exchange of the interests in the Temporary Global Bond for interests in the Permanent Global Bond, the ISIN for the New Bonds will be XS1131276864.

The temporary Common Code for the New Bonds (which will apply for so long as the New Bonds are represented by the Temporary Global Bond) is 237919149. Upon exchange of the interests in the Temporary Global Bond for interests in the Permanent Global Bond, the Common Code for the New Bonds will be 113127686.

The CFI for the Bonds is DBFXFB.

The FISN for the Bonds is YORKSHIRE HOUSI/4.125 BD 20441031.

## Characteristics of underlying assets

The Original Loan Agreement has (and each Additional Loan Agreement will have) characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the Bonds.

## Material or Significant Change

There has been no material adverse change in the financial position or prospects of the Issuer since 31 March 2021.

There has been no material adverse change in the prospects of the Original Borrower since 31 March 2021. There has been no significant change in the financial performance or financial position of the Original Borrower Group since 31 March 2021.

## Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on its financial position or profitability.

The Original Borrower is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Original Borrower is aware) in the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on its financial position or profitability.

## Auditors

The auditors of the Issuer and the Original Borrower are Grant Thornton UK LLP (the Auditor), who have audited the Issuer's and the Original Borrower's accounts, without qualification, in accordance with generally accepted accounting principles in the United Kingdom for each of the two financial years ended on 31 March 2020 and 31 March 2021. The auditors of the Issuer and the Original Borrower have no material interest in the Issuer or the Original Borrower.

## Financial Statements: Emphasis of Matter - Investment Property Valuation

We draw attention to Note 15 to the Original Borrower's financial statements for the year ended 31 March 2020, which describes the basis for valuing investment properties. The properties were valued as at 31 March 2020 by Jones Lang LaSalle Limited. The independent expert's valuation obtained included a 'material valuation uncertainty' per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. The Auditor concluded that their opinion is not modified in respect of this matter.

## Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to the Bonds, the Issuer Security or the Underlying Security, other than as required pursuant to Condition 6.2 (Information Covenants).

## Potential Conflicts of Interest

Each of the Transaction Parties (other than the Issuer) and their affiliates in the course of each of their respective businesses may provide services to other Transaction Parties and to third parties and in the course of the provision of such services it is possible that conflicts of interest may arise between such Transaction Parties and their affiliates or between such Transaction Parties and their affiliates and such third parties. Each of the Transaction Parties (other than the Issuer) and their affiliates may provide such services and enter into arrangements with any person without regard to or constraint as a result of any such conflicts of interest arising as a result of it being a Transaction Party.

## Yield

The yield on the New Bonds will be calculated on the date of their sale to a third party.

ISSUER
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AUDITORS
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[^0]:    Source: Savills

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