

Provisional
CRR ASSESSMENT
LANARK MASTER ISSUER PLC
Issue of series 2023-1 notes



PRIME COLLATERALISED SECURITIES (PCS) UK LIMITED

15th May 2023

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This is a Provisional CRR Assessment (UK Version).

This Provisional CRR Assessment must be read together with the PCS Procedures Manual and the PCS Term Evidentiary Standards Manual. This document is based upon the draft materials received by PCS as at the date of this document. Any references in this document are to the base prospectus unless otherwise stated.

Any references in this CRR Assessment to any EU regulations are meant to refer to such EU regulations as amended and incorporated into United Kingdom law by the Withdrawal Act 2019.

This Provisional CRR Assessment is not the final CRR assessment and it based on the draft documents and information provided to PCS by or on behalf of the originator as of the date of this assessment. It is anticipated at the date of this Provisional CRR Assessment that a Final CRR Assessment will be made available at or around closing of the transaction. However, such Final CRR Assessment will be based upon the final materials received by PCS and will only be made available on a fully ticked basis if no material adverse changes have been made to the transaction or the relevant material which, upon becoming known to PCS, would not adversely change our analysis. Therefore, no guarantees can be provided that such Final CRR Assessment will be made available on a fully ticked basis.

It is important that the reader of this checklist reviews and understands the disclaimer referred to on the following page. Note that all comments on the disclaimer relate to both Provisional CRR Assessments and Final CRR Assessments

15th May 2023

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PRIME COLLATERALISED SECURITIES (PCS) Provisional CRR Assessment

Individual(s) undertaking the assessment	Fazel Ahmed
Date of Verification	15 May 2023
The transaction to be verified (the "Transaction")	LANARK MASTER ISSUER PLC, Issue of Series 2023-1 notes
Issuer	LANARK MASTER ISSUER PLC
Originator	Clydesdale Bank PLC and Yorkshire Bank Home Loans Limited
Seller	Clydesdale Bank PLC
Lead Manager(s)	Barclays, BofA Securities, Citigroup, Deutsche Bank AG, London Branch
Transaction Legal Counsel	Clifford Chance LLP
Rating Agencies	Fitch, Moody's
Stock Exchange	London Stock Exchange
Target Closing Date	[·] 2023

PCS confirms that all checklist points have been verified as detailed in the associated comment box in the checklist below.

Within the checklist, the relevant legislative text is set out in light blue introductory boxes with specific criteria for our verification listed underneath.

Legislative Text		
Article 243 (1) 2. Positions in a securitisation, other than an ABCP programme or ABCP transaction, that qualify as positions in an STS securitisation, shall be eligible for the treatment set out in Articles 260, 262 and 264 where the following requirements are met:		
1a	CRR Criteria (a) at the time of inclusion in the securitisation, the aggregate exposure value of all exposures to a single obligor in the pool does not exceed 2 % of the exposure values of the aggregate outstanding exposure values of the pool of underlying exposures. For the purposes of this calculation, loans or leases to a group of connected clients shall be considered as exposures to a single obligor.	Meets Criteria? YES
	PCS Comments See preliminary final terms See section, "The cut-off date mortgage portfolio" The aggregate current principal balance of all mortgage loans to a single borrower does not exceed 2% of the aggregate current principal balance of all mortgage loans as of the cut-off date	
1b	CRR Criteria In the case of securitised residual leasing values, the first subparagraph of this point shall not apply where those values are not exposed to refinancing or resell risk due to a legally enforceable commitment to repurchase or refinance the exposure at a pre-determined amount by a third party eligible under Article 201(1);	Meets Criteria? YES
	PCS Comments <i>Not applicable.</i>	
2	CRR Criteria (b) at the time of their inclusion in the securitisation, the underlying exposures meet the conditions for being assigned, under the Standardised Approach and taking into account any eligible credit risk mitigation, a risk weight equal to or smaller than: (i) 40 % on an exposure value-weighted average basis for the portfolio where the exposures are loans secured by residential mortgages or fully guaranteed residential loans, as referred to in point (e) of Article 129(1);	Meets Criteria? YES

¹ REGULATION (EU) 2017/2401 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

- (ii) 50 % on an individual exposure basis where the exposure is a loan secured by a commercial mortgage;
 - (iii) 75 % on an individual exposure basis where the exposure is a retail exposure ⁽²⁾;
- for any other exposures, 100 % on an individual exposure basis;

PCS Comments

See base prospectus

2 (b) (i) should apply.

See section, The Mortgage Sale Agreement, Representations and Warranties (k) Risk weight, which states:

“Each mortgage loan has a standardised risk weight equal to or smaller than 40% on an exposure value-weighted average basis for the portfolio as at the relevant date of assignment by the seller to the mortgages trustee, as such terms are described in Article 243 of the Capital Requirements Regulation.”

² See article 123, “Retail exposures” of the Regulation (EU) No 575/2013; for Consumer loans see the amendments to article 123 in (59) REGULATION (EU) 2019/876 and REGULATION (EU) 2020/873, article 2 (1) (a). In particular, pursuant to the amendments to Article 123, under Regulation (EU) 2019/876:

<<Exposures due to loans granted by a credit institution to pensioners or employees with a permanent contract against the unconditional transfer of part of the borrower's pension or salary to that credit institution shall be assigned a risk weight of 35 %, provided that all the following conditions are met:

(a) in order to repay the loan, the borrower unconditionally authorises the pension fund or employer to make direct payments to the credit institution by deducting the monthly payments on the loan from the borrower's monthly pension or salary;

(b) the risks of death, inability to work, unemployment or reduction of the net monthly pension or salary of the borrower are properly covered through an insurance policy underwritten by the borrower to the benefit of the credit institution;

(c) the monthly payments to be made by the borrower on all loans that meet the conditions set out in points (a) and (b) do not in aggregate exceed 20 % of the borrower's net monthly pension or salary;

(d) the maximum original maturity of the loan is equal to or less than ten years.>>.

See article 501 on “Adjustment of risk-weighted non-defaulted SME exposures for “SME Loans” of the Regulation (EU) No 575/2013, as amended in Regulation (EU) 2019/876 and Regulation 2020/873 in (19) and Article 2.1(b).

3	CRR Criteria (c) where points (b)(i) and (b)(ii) apply, the loans secured by lower ranking security rights on a given asset shall only be included in the securitisation where all loans secured by prior ranking security rights on that asset are also included in the securitisation;	Meets Criteria? YES
	PCS Comments See base prospectus See section, The Mortgage Sale Agreement, Representations and Warranties (c); “First ranking mortgage Subject to completion of any registration or recording which may be pending at the Land Registry (in England and Wales) or Registers of Scotland (in Scotland)), the related mortgage constitutes a first ranking charge by way of legal mortgage (in England and Wales) or a first ranking standard security (in Scotland) over the relevant mortgaged property, and there is nothing to prevent such registration or recording being effected with absolute title (or the relevant equivalent) in due course. For the avoidance of doubt, the fact of the existence of a second ranking charge, or in Scotland, a second ranking standard security over the relevant mortgaged property does not render this warranty untrue provided that the seller or YBHL, as applicable, has first priority for all advances, interest, costs and expenses payable by the relevant borrower under the mortgage loan.”	

4	CRR Criteria (d) where point (b)(i) of this paragraph applies, no loan in the pool of underlying exposures shall have a loan-to-value ratio higher than 100 %, at the time of inclusion in the securitisation, measured in accordance with point (d)(i) of Article 129(1) and Article 229(1).	Meets Criteria? YES
	PCS Comments See base prospectus See section, The Mortgage Sale Agreement, Representations and Warranties (j) Loan to value ratio, which states: “No mortgage loan has an indexed loan to value higher than 100% as at the relevant date of assignment by the seller or YBHL (as applicable) to the mortgages trustee.”	