

# **LCR ASSESSMENT**

## **LANARK MASTER ISSUER PLC**

**Issue of Series 2019-1, 2018-1, 2018-2, 2017-1 and 2015-1 Notes**



**PRIME COLLATERALISED SECURITIES (PCS) UK LIMITED**

**25 November 2019**

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**This is an LCR Assessment. The LCR Assessment only covers the LCR rules which apply as at April 2020 not the current applicable LCR rules as at today.**

**As the securitisation is structured as a master trust programme, all notes issued from time to time under the programme are ultimately backed by the same residential mortgage loans comprising the portfolio from time to time, and benefit from the same structural terms and conditions documented under the same programme level transaction documents currently in effect. In 2019, the programme was updated to more closely align the portfolio and the programme level transaction documents with the requirements of a simple, transparent and standardised non-ABCP transaction pursuant to the CRR Regulation. Accordingly, the following considers the facts and terms of the programme at the time of issuance of the notes, taking into account the facts and terms of the programme at the time of this checklist.**

**This LCR Assessment must be read together with the PCS Procedures Manual and the PCS Term Evidentiary Standards Manual. This document is based upon the materials received by PCS as at the date of this document. Any page references in this document are to the base prospectus dated 22 May, 2019 unless otherwise stated.**

**It is important that the reader of this checklist reviews and understands the disclaimer referred to on the following page.**

**25 November2019**



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When entering any of the “Transaction” sections of the PCS Website, you will be asked to declare that you are allowed to do so under the legislation of your country. The circulation and distribution of information regarding securitisation instruments (including securities) that is available on the PCS Website may be restricted in certain jurisdictions. Persons receiving any information or documents with respect to or in connection with instruments (including securities) available on the PCS Website are required to inform themselves of and to observe all applicable restrictions.

## Prime Collateralised Securities (PCS) LCR Assessment

Individual(s) undertaking the assessment	Fazel Ahmed
Date of Assessment /Version	25 November 2019
<b>The transaction to be assessed (the “Transaction”)</b>	<b>Issue of Series 2019-1, 2018-1, 2018-2, 2017-1,2015-1, LANARK MASTER ISSUER PLC</b>
Issuer	LANARK MASTER ISSUER PLC
Originators	Clydesdale Bank and Yorkshire Bank Home Loans Limited
Seller	Clydesdale Bank PLC
Transaction Legal Counsel	Clifford Chance LLP
Rating Agencies	Moody’s, S&P and Fitch
Stock Exchange	London Stock Exchange
ESMA Notification Date	25 November 2019

Legislative text <sup>(1)</sup>	LCR questions	Identifying document and checking page reference	Checking comments	Criteria fulfilled Yes / No
<p>1. Exposures in the form of asset-backed securities as referred to in Article 12(1)(a) shall qualify as level 2B securitisations where the following conditions are satisfied:</p> <p>(a) the designation ‘STS’ or ‘simple, transparent and standardised’, or a designation that refers directly or indirectly to those terms, is permitted to be used for the securitisation in accordance with Regulation (EU) 2017/2402 of the European Parliament and of the Council (*) and is being so used;</p> <p>(b) the criteria laid down in paragraph 2 and paragraphs 10 to 13 of this Article are met.</p> <p>(*) Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35).</p>		<p>1 (a) PCS is advised that the transactions of Issue of Series 2019-1, 2018-1, 2018-2, 2017-1 and 2015-1 of Lanark Master Issuer PLC. is designated STS.</p> <p>1 (b) PCS has ticked the questions below as “yes”. See the disclaimer above for a fuller analysis of the limitations of PCS’s LCR assessment.</p>		<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>

<sup>1</sup> Delegated Regulation (EU) 2015/61 with regard to liquidity coverage requirement for Credit Institutions (“LCR”), as amended by Commission Delegated Regulation (EU) 2018/1620 of 13 July 2018. Article 13 Level 2B securitisations

<p>2. The securitisation position and the exposures underlying the position shall meet all the following requirements:</p> <p>(a) the position has been assigned a credit assessment of credit quality step 1 by a nominated ECAI <sup>(2)</sup> in accordance with Article 264 of Regulation (EU) No 575/2013 or the equivalent credit quality step in the event of a short-term credit assessment;</p> <p>(b) the position is in the most senior tranche or tranches of the securitisation and possesses the highest level of seniority at all times during the ongoing life of the transaction. For these purposes, a tranche shall be deemed to be the most senior where after the delivery of an enforcement notice and where applicable an acceleration notice, the tranche is not subordinated to other tranches of the same securitisation transaction or scheme in respect of receiving principal and interest payments, without taking into account amounts due under interest rate or currency derivative contracts, fees or</p>		<p>2 (a) PCS notes that the senior notes are rated:</p> <ul style="list-style-type: none"> <li>• Aaa (sf) by Moodys</li> <li>• AAa(sf) by S&amp;P</li> <li>• AAA sf by Fitch</li> </ul> <p>2 (b) PCS confirms that the senior tranche meets the required attributes, based on the prospectus that has been reviewed.</p>	<p>Refer to Prospectus, section Description of the Notes - Rating of the Notes. er to Base Prospectus dated 25 June 2019, section Description of the Notes - Rating of the Notes, Also the Final Terms: Series 2019-1 dated 13 February 2019 see page 3 – expected ratings. Series 2018-1 dated 31 January 2018 see page 2 – expected ratings. Series 2018-2 dated 29 June 2018 see page 3 – expected ratings Series 2017-1 dated 4 July 2017 see page 3 – expected ratings Series 2015-1 dated 5 August 2015 see page 4 – expected ratings</p> <p>See Base Prospectus dated 22 May 2019, Summary of Issuer priority of payments, Issuer post – enforcement priority of payments, confirming the status of Senior Notes.</p>	<p>Yes <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>Yes <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p>
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<sup>2</sup> Credit Quality Step 1 means reaching the following rating levels: Fitch: AAA to AA-; Moody's: Aaa to Aa3; S&P: AAA to AA-; DBRS: AAA to AAL; or an equivalent rating, as set out in the table available at the following link: [www.eba.europa.eu.documents.ecai\\_recognition.xls](http://www.eba.europa.eu.documents.ecai_recognition.xls)

<p>other similar payments in accordance with Article 242(6) of Regulation (EU) No 575/2013;</p>				
<p>(g) the securitisation position is backed by a pool of underlying exposures and those underlying exposures either all belong to only one of the following subcategories or else they consist of a combination of residential loans referred to in point (i) and residential loans referred to in point (ii):</p> <p>(i) residential loans secured with a first-ranking mortgage granted to individuals for the acquisition of their main residence, provided that one of the two following conditions is met:</p> <ul style="list-style-type: none"> <li>— the loans in the pool meet on average the loan-to-value requirement laid down in point (i) of Article 129(1)(d) of Regulation (EU) No 575/2013 <sup>(3)</sup>;</li> <li>— the national law of the Member State where the loans were originated provides for a loan-to-income limit on the amount that an obligor may borrow</li> </ul>		<p>(g)(i) only applies,</p> <p>See the Final Terms dated 5 June 2019, table Current indexed loan to vales which shows that the weighted average current indexed loan-to-value ratio of the mortgage loans, as of the cut-off date, was 61 per cent.</p> <p>On this basis, the loans in the pool meet on average the loan-to-value requirement laid down in point (i) of Article 129(1)(d) of Regulation (EU) No 575/2013, and that therefore the requirement (g)(i) is satisfied.</p>	<p>[</p>	<p>Yes <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p>

<sup>3</sup> Article 129(1)(d) of Regulation (EU) No 575/2013 refers to <<(d) loans secured by:

(i) residential property up to the lesser of the principal amount of the liens that are combined with any prior liens and 80 % of the value of the pledged properties; or

(ii) senior units issued by French Fonds Communs de Titrisation or equivalent securitisation entities governed by the laws of a Member State securitising residential property exposures. In the event of such senior units being used as collateral, the special public supervision to protect bond holders as provided for in Article 52(4) of Directive 2009/65/EC shall ensure that the assets underlying such units shall, at any time while they are included in the cover pool be at least 90 % composed of residential mortgages that are combined with any prior liens up to the lesser of the principal amounts due under the units, the principal mounts of the liens, and 80 % of the value of the pledged properties, that the units qualify for the credit quality step 1 as set out in this Chapter and that such units do not exceed 10 % of the nominal amount of the outstanding issue.>>

<p>in a residential loan, and that Member State has notified this law to the Commission and EBA. The loan-to-income limit is calculated on the gross annual income of the obligor, taking into account the tax obligations and other commitments of the obligor and the risk of changes in the interest rates over the term of the loan. For each residential loan in the pool, the percentage of the obligor's gross income that may be spent to service the loan, including interest, principal and fee payments, does not exceed 45 %;</p> <p>(ii) fully guaranteed residential loans referred to in Article 129(1)(e) of Regulation (EU) No 575/2013, provided that the loans meet the collateralisation requirements laid down in that paragraph and the average loan-to-value requirement laid down in point (i) of Article 129(1)(d) of Regulation (EU) No 575/2013</p> <p>(iii) commercial loans, leases and credit facilities to undertakings established in a Member State to finance capital expenditures or business operations other than the acquisition or development of commercial real estate, provided that at least 80 % of the borrowers in the pool in terms of portfolio balance are small and medium-sized enterprises at the time of issuance of the securitisation, and none of the borrowers is an institution as defined in Article 4(1)(3) of Regulation (EU) No 575/2013;[<sup>4</sup>]</p>				
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<sup>4</sup> In particular: "**institution**" means a credit institution or an investment firm; '**credit institution**' means an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account; and '**investment firm**' means a person as defined in point (1) of Article 4(1) of Directive 2004/39/EC,



<p>(iv) auto loans and leases to borrowers or lessees established or resident in a Member State. For these purposes, auto loans and leases shall include loans or leases for the financing of motor vehicles or trailers as defined in points (11) and (12) of Article 3 of Directive 2007/46/EC of the European Parliament and of the Council (*), agricultural or forestry tractors as referred to in Regulation (EU) No 167/2013 of the European Parliament and of the Council (**), two-wheel motorcycles or powered tricycles as referred to in Regulation (EU) No 168/2013 of the European Parliament and of the Council (***) or tracked vehicles as referred to in point (c) of Article 2(2) of Directive 2007/46/EC. Such loans or leases may include ancillary insurance and service products or additional vehicle parts, and in the case of leases, the residual value of leased vehicles. All loans and leases in the pool shall be secured with a first-ranking charge or security over the vehicle or an appropriate guarantee in favour of the SSPE, such as a retention of title provision;</p> <p>(*) Directive 2007/46/EC of the European Parliament and of the Council of 5 September 2007 establishing a framework for the approval of motor</p>				
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which is subject to the requirements imposed by that Directive, excluding the following: (a) credit institutions; (b) local firms; (c) firms which are not authorised to provide the ancillary service referred to in point (1) of Section B of Annex I to Directive 2004/39/EC, which provide only one or more of the investment services and activities listed in points 1, 2, 4 and 5 of Section A of Annex I to that Directive, and which are not permitted to hold money or securities belonging to their clients and which for that reason may not at any time place themselves in debt with those clients.

<p>vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles (Framework Directive) (OJ L 263, 9.10.2007, p. 1).</p> <p>(**) Regulation (EU) No 167/2013 of the European Parliament and of the Council of 5 February 2013 on the approval and market surveillance of agricultural and forestry vehicles (OJ L 60, 2.3.2013, p. 1).</p> <p>(***) Regulation (EU) No 168/2013 of the European Parliament and of the Council of 15 January 2013 on the approval and market surveillance of two- or three-wheel vehicles and quadricycles (OJ L 60, 2.3.2013, p. 52).';</p> <p>(v) loans and credit facilities to individuals resident in a Member State for personal, family or household consumption purposes.</p>				
<p>10. The underlying exposures shall not have been originated by the credit institution holding the securitisation position in its liquidity buffer, its subsidiary, its parent undertaking, a subsidiary of its parent undertaking or any other undertaking closely linked with that credit institution.</p>		<p>The investor should confirm that it is not a group entity of the Originator to meet this point. We have ticked this point positive but ultimately it is the investors responsibility to confirm</p>		<p>Yes <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p>

<p>11. The issue size of the tranche shall be at least EUR 100 million (or the equivalent amount in domestic currency).</p>		<p>Each senior note has an issue size of least EUR 100 million (or the equivalent amount in domestic currency):</p> <p><b><u>Series 2019-1</u></b></p> <p>The Final Terms dated 13 February, 2019 confirm the Class 1A1 Notes are USD 325 million and the Class 1A2 Notes are GBP 350 million.</p> <p><b><u>Series 2018-1</u></b></p> <p>The Final Terms dated 31 January, 2018 confirm the Class 1A Notes are USD 300 million and the Class 2A Notes are GBP 285 million</p> <p><b><u>Series 2018-2</u></b></p> <p>The Final Terms dated 29 June 2018 confirm the Class 1A Notes are USD 400 million and the Class 2A Notes are GBP 250 million</p> <p><b><u>Series 2017-1</u></b></p> <p>The Final Terms dated 4 July 2017 confirm the Class 1A Notes are GBP 750 million and the Class 2A Notes are GBP 800 million</p> <p><b><u>Series 2015-1</u></b></p> <p>The Final Terms dated 5 August 2015 confirm the Class 2A Notes are EUR 280 million</p>		<p>Yes <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p>
<p>12. The remaining weighted average life of the tranche shall be 5 years or less, which shall be calculated using the lower of either the transaction's pricing prepayment assumption or a 20 % constant prepayment rate, for which the credit institution shall assume that the call is exercised on the first permitted call date.</p>		<p><b><u>Series 2019-1</u></b></p> <p>See the Final Terms dated 13 February, 2019, the 2019-1 Class 1A1 and Class 1A2 Notes are controlled amortisation notes, the Class 1A1 and Class 1A2 Notes have optional redemption dates in August 2021</p> <p><b><u>Series 2018-1</u></b></p>		<p>Yes <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p>

		<p>See the Final Terms dated 31 January 2018, the 2018-1 Class 1A and Class 2A Notes are controlled amortisation notes, the Class 1A and Class 2A Notes have optional redemption dates in August 2020 and February 2023, respectively.</p> <p><b><u>Series 2018-2</u></b></p> <p>See the Final Terms dated 29 June 2018, the 2018-2 Class 1A and Class 2A Notes are controlled amortisation notes, the Class 1A and Class 2A Notes have optional redemption dates in February 2021 and August 2023, respectively.</p> <p><b><u>Series 2017-1</u></b></p> <p>See the Final Terms dated 4 July, 2017-1 Class 1A and Class 2A Notes - controlled amortisation notes, the Class 1A and Class 2A Notes have optional redemption dates in November 2020 and August 2022, respectively.</p> <p><b><u>Series 2015-1</u></b></p> <p>See the Final Terms dated 5 August, 2015-1 Class 2A Notes - controlled amortisation notes has optional redemption date is May 2021 respectively.</p>		
<p>13. The originator of the exposures underlying the securitisation shall be an institution as defined in Article 4(3) of Regulation (EU) No 575/2013 or an undertaking whose principal activity is to pursue one or more of the activities listed in points 2 to 12 and point 15 of Annex I to Directive 2013/36/EU.</p>		<p>Article 4(3) of Regulation(EU) No 575/2013 applies. See description of Clydesdale Bank.</p>		<p>Yes <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p>

<p>Article 37 Transitional provision for securitisations backed by residential loans</p> <p>1. By derogation from Article 13, securitisations issued before 1 October 2015, where the underlying exposures are residential loans as referred to in point (g)(i) of Article 13(2), shall qualify as Level 2B assets if they meet all the requirements set out in Article 13 other than the loan-to-value or loan-to-income requirements set out in that point (g)(i) of Article 13(2).</p> <p>2. By derogation from Article 13, securitisations issued after 1 October 2015, where the underlying exposures are residential loans as referred to in point (g)(i) of Article 13(2) that do not meet the average loan-to-value or the loan-to-income requirements set out in that point, shall qualify as Level 2B assets until 1 October 2025, provided that the underlying exposures include residential loans that were not subject to a national law regulating loan-to-income limits at the time they were granted and such residential loans were granted at any time prior to 1 October 2015.</p>		<p>Points 1 and 2 are not applicable</p>		<p>Yes <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p>
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