

## TENTERDEN FUNDING PLC

(incorporated in England and Wales with limited liability, registered number 7811222)

<u>Class of Notes</u>	<u>Principal Amount</u>	<u>Issue Price</u>	<u>Interest rate</u>	<u>Ratings (S&amp;P/Fitch)</u>	<u>Final Maturity Date</u>
Class A Notes.....	£316,624,000	97.16%	Prior to the Step-Up Date, 1.50 per cent. margin and, from and including the Step-Up Date, 3.50 per cent. margin, in each case above Three-Month Sterling LIBOR	AAA(sf)/AAAsf	The Interest Payment Date falling in March 2044
Class B Notes.....	£121,913,000	107.375852%	Three-Month Sterling LIBOR	Unrated	The Interest Payment Date falling in March 2044

**Issue Date** The Issuer will issue the class A asset backed floating rate notes (the "**Class A Notes**") and the class B asset backed floating rate notes (the "**Class B Notes**") and, together with the Class A Notes, the "**Notes**") on 16<sup>th</sup> May 2012 (the "**Issue Date**"). "**Class**" means, in relation to the Notes, each or any of the Class A Notes and the Class B Notes, as the context may require.

**Underlying Assets** The principal assets from which the Issuer will make payments on the Notes is a pool of residential mortgage loans originated by AIB Group (UK) p.l.c. ("**AIB**" or the "**Seller**") and secured over properties located in England, Wales, Scotland and Northern Ireland (the "**Loans**"). The Seller is a wholly owned subsidiary of Allied Irish Banks, p.l.c. ("**AIB Parent**"). Please refer to the section entitled "*Characteristics of the Portfolio*" for further details.

Interest will be payable quarterly in arrear on the 21<sup>st</sup> day of March, June, September and December in each year for both classes of Notes, with the first date for the payment of interest being 21<sup>st</sup> September 2012.

**Credit Enhancement and Liquidity Support** Subject to the detailed description and limitations set out in the section of this Prospectus entitled '*Credit Structure*', the Notes will have the benefit of credit enhancement or support from the availability of excess portions of revenue receipts whilst the Class A Notes will also benefit from a general reserve fund, a liquidity reserve fund and subordination of the Class B Notes.

**Redemption Provisions** Information on any optional and mandatory redemption of the Notes is summarised on page 10 (*Transaction Overview - Summary of the Terms and Conditions of the Notes*) and set out in full in Condition 5 (*Redemption*).

**Credit Rating Agencies** As of the date of this Prospectus, each of Fitch Ratings Ltd. ("**Fitch**") and Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and, together with Fitch, the "**Rating Agencies**") is a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the "**CRA Regulation**").

**Credit Ratings** Ratings are expected to be assigned to the Class A Notes on or before the Issue Date. The ratings reflect the views of the Rating Agencies and are based on the Loans, the Mortgages and the Related Security and the structural features of the transaction. The assignment of ratings to the Notes is not a recommendation to invest in the Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any credit rating assigned to the Notes may be revised, suspended or withdrawn at any time.

**Listing** This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank of Ireland**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This document constitutes a Prospectus for the purposes of the Prospectus Directive and relevant implementing provisions in Ireland. Application

has been made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List (the "**Official List**") and trading on its regulated market.

**Obligations** The Notes will be obligations of the Issuer only. The Notes will not be obligations of AIB, AIB Parent or any of its or their affiliates.

**Retention Undertaking** AIB will undertake to the Issuer and the Note Trustee, on behalf of the Noteholders, that it will retain a material net economic interest of at least 5 per cent. of the nominal value of the securitised exposures in accordance with Article 122a(1)(d) of Directive 2006/48/EC (as amended by Directive 2009/111/EC), referred to as the Capital Requirements Directive ("**CRD**"). On the Issue Date, AIB will fulfil this requirement by holding a sufficient amount of the Class B Notes. In exceptional circumstances AIB may hold a material net economic interest in another manner permitted by Article 122a(1). The Seller's holding of the Class B Notes and its compliance with Article 122(a) of the CRD will be disclosed on an on-going basis in the quarterly Investor Reports to be provided in respect of the Portfolio and the Notes.

THE "RISK FACTORS" SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES, PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED IN THE SECTION.

**Arranger**

**BofA Merrill Lynch**

**Joint Lead Managers**

**BofA Merrill Lynch**

**HSBC**

**The date of this prospectus is 11<sup>th</sup> May 2012**

## IMPORTANT NOTICE

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF AIB (IN ANY CAPACITY IN RESPECT OF THE TRANSACTION AS FURTHER DESCRIBED HEREIN), AIB PARENT, THE ARRANGER, THE JOINT LEAD MANAGERS, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE AFOREMENTIONED OR BY ANY PERSON OTHER THAN THE ISSUER.

The Notes will each initially be represented on issue by global notes in bearer form (the "**Global Notes**"). The Global Notes, which will be issued without interest coupons, will be issued in new global note ("**NGN**") form. The Global Notes will be delivered on or prior to the Issue Date to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Common Safekeeper will hold the Global Notes in custody for Euroclear and Clearstream, Luxembourg. The Notes represented by the Global Notes may be transferred in book-entry form only.

The Global Notes will be exchangeable for definitive Notes in bearer form in the limited circumstances set out therein. Investors should see the section of this Prospectus entitled "*Description of the Notes in Global Form*" for further details. If Definitive Notes are required to be issued in respect of the Notes represented by Global Notes, they will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 up to and including £199,000. No Definitive Notes will be issued with a denomination above £199,000.

As at the date of this Prospectus, notes not denominated in Euro are not recognised as eligible collateral for Eurosystem operations. It is therefore expected that the Global Notes may not be used as eligible collateral for Eurosystem monetary policy and intra-day credit operations.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**"). The Notes may not be sold or delivered, directly or indirectly, in the United States or to any U.S. persons (see the section "*Transfer Restrictions and Investor Representations*" below) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by the Issuer, AIB, AIB Parent, the Note Trustee, the Security Trustee or the Arranger or Joint Lead Managers that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, save for obtaining the approval of this Prospectus for the purposes of the Prospectus Directive, no action has been taken by the Issuer, AIB, AIB Parent, the Note Trustee, the Security Trustee, the Arranger or Joint Lead Managers which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not 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 comes are required by the Issuer, AIB, AIB Parent, the Arranger and Joint Lead Managers to inform themselves about and to observe any such restrictions.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information

contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

AIB accepts responsibility for the information in this document describing the Loans and the Portfolio, the business of itself and AIB Parent, and the roles played by AIB in the transaction in its capacities as Seller, Administrator and Seller Collection Account Bank set out in the sections entitled '*AIB Group (UK) p.l.c.*', '*The Loans*' and '*Characteristics of the Portfolio*' (together, the "**AIB Information**") and, to the best of the knowledge and belief of AIB (which has taken all reasonable care to ensure that such is the case), such AIB Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by AIB as to the accuracy or completeness of any information contained in this Prospectus (other than the AIB Information).

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger or the Joint Lead Managers as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in connection with the Notes or their distribution.

No person is authorised to give any information or to make any representation in connection with the offering or sale of the Notes other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, AIB, AIB Parent, the Note Trustee, the Security Trustee, the Arranger or Joint Lead Managers or any of their respective affiliates or advisers. Neither the delivery of this Prospectus nor any sale or allotment made in connection with the offering of the Notes shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer, AIB or AIB Parent or in the other information contained herein since the date hereof. The information contained in this Prospectus was obtained from the Issuer, AIB, AIB Parent and the other sources identified herein, but no assurance can be given by the Note Trustee, the Security Trustee, the Arranger or Joint Lead Managers as to the accuracy or completeness of such information. None of the Note Trustee, the Security Trustee, the Arranger or the Joint Lead Managers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. The contents of this Prospectus should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes. None of the Arranger, the Joint Lead Managers, the Note Trustee or the Security Trustee undertakes or shall undertake to review the financial condition of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Note Trustee, Security Trustee, Arranger or Joint Lead Managers.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Seller, the Arranger or Joint Lead Managers or any of them to subscribe for or purchase any of the Notes in any jurisdiction where such action would be unlawful and neither this Prospectus, nor any part thereof, may be used for or in connection with any offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Payments of interest and principal in respect of the Notes will be subject to any applicable withholding taxes, without the Issuer or any other person being obliged to pay additional amounts therefor. Investors should see the section of this Prospectus entitled '*Terms and Conditions of the Notes — Condition 6 (Taxation)*' for further details. Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "**recognised stock exchange**" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes. Securities will be treated as listed on the Irish Stock Exchange if they are listed and admitted to trading by the Irish Stock Exchange. Provided, therefore, that the Notes remain so

listed (and there is no change in applicable tax laws), interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

In this Prospectus all references to "**Pounds**", "**Sterling**", "**GBP**" and "**£**" are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the "**United Kingdom**" or "**UK**"). References in this Prospectus to "**Euro**", "**EUR**" and "**€**" are references to the single currency introduced at the start of the third stage of European economic and monetary union on 1 January 1999 pursuant to the treaty establishing the European Communities, as amended from time to time.

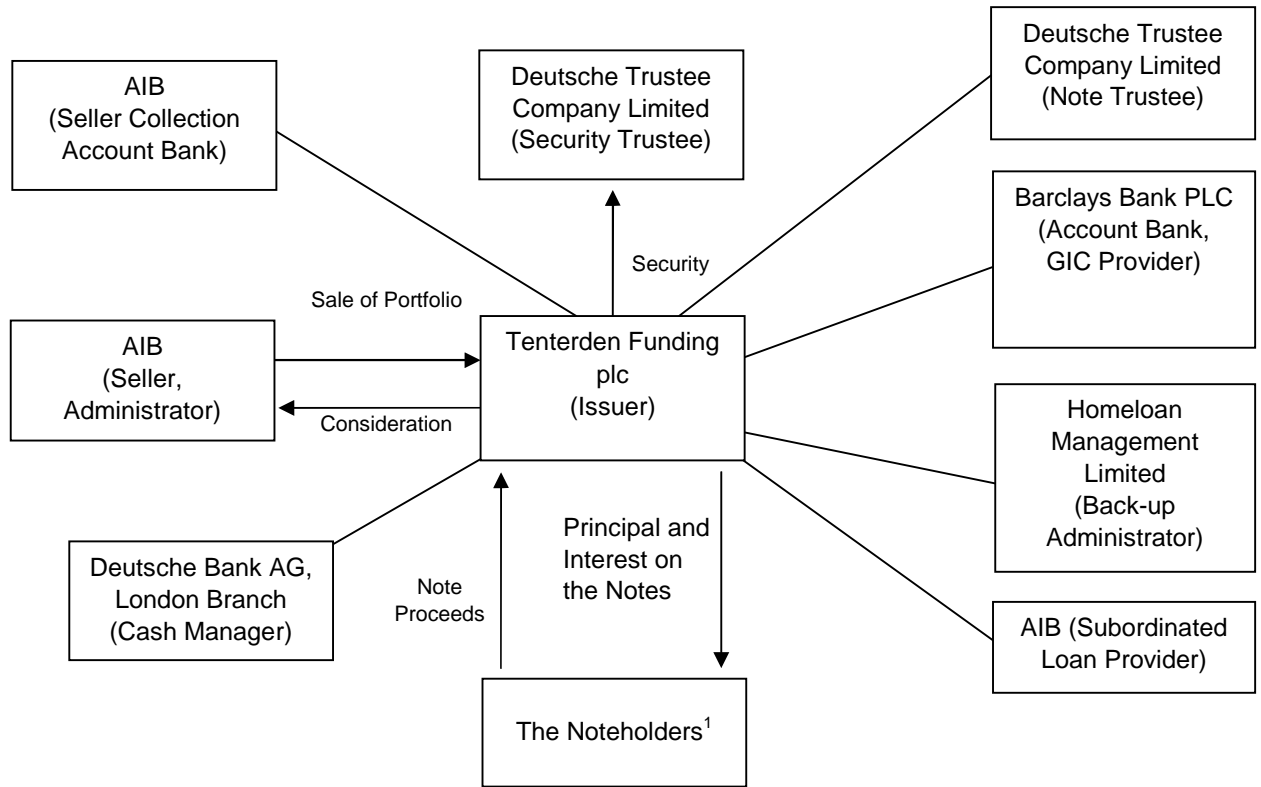
### **Forward-Looking Statements**

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgments that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. The Arranger and Joint Lead Managers have not attempted to verify any such statements, nor do they make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. None of the Issuer, AIB, AIB Parent, the Arranger or the Joint Lead Managers assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

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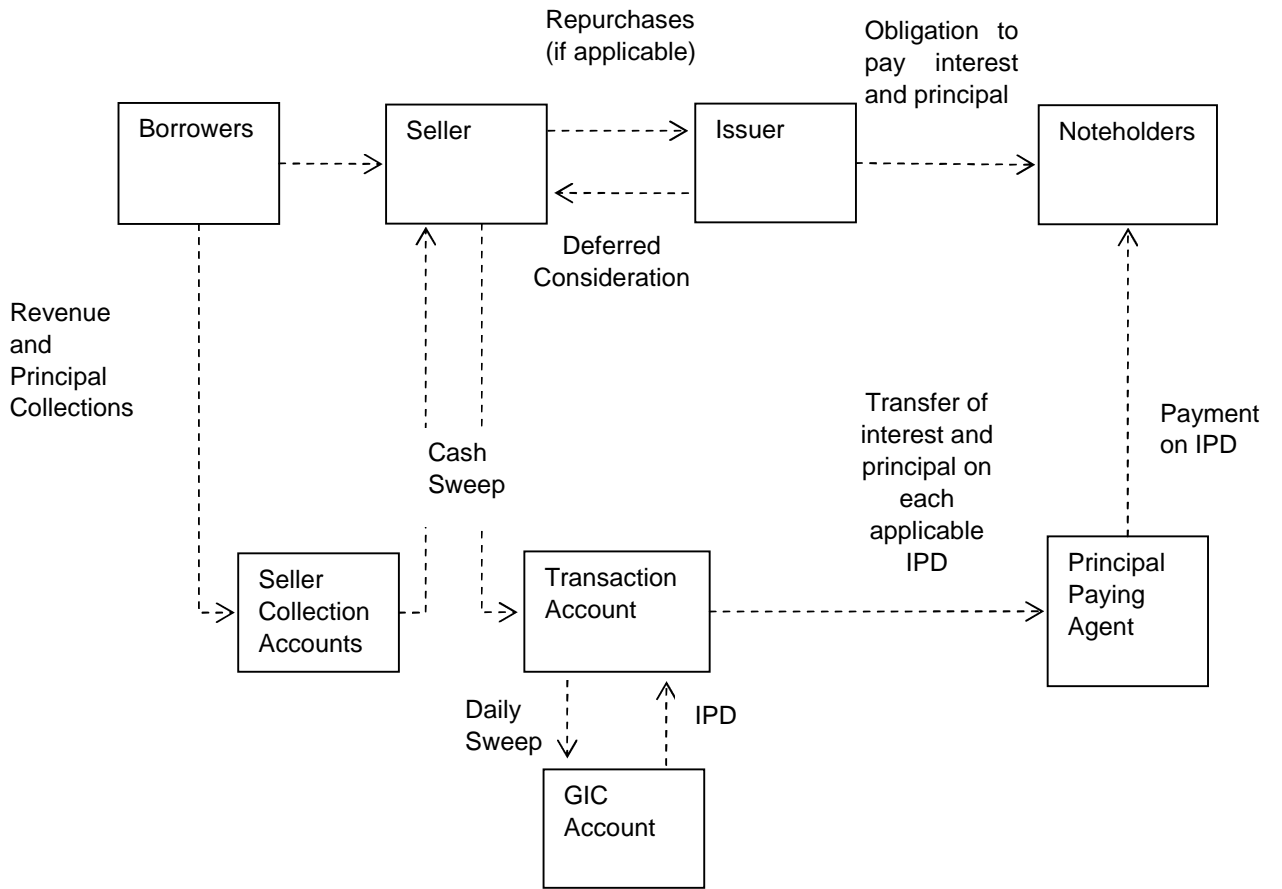
**STRUCTURE DIAGRAMS**  
**DIAGRAMMATIC OVERVIEW OF TRANSACTION**



Note:

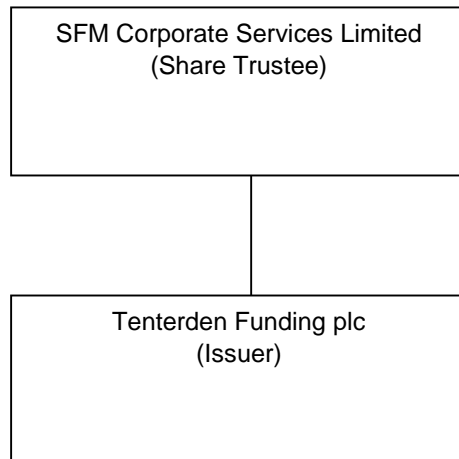
- (1) The Class B Notes will, at least initially, be held in their entirety by the Seller.

### DIAGRAMMATIC OVERVIEW OF ON-GOING CASH FLOWS





**Principal Features of the Transaction - Ownership Structure of the Issuer**



*The above diagram illustrates the ownership structure of the special purpose company that is party to the transaction, as follows:*

- The Issuer is a wholly owned subsidiary of the Share Trustee in respect of its beneficial ownership.
- The entire issued share capital of the Issuer is held on trust by the Share Trustee under the terms of a discretionary trust (the "**Issuer Share Trust**").
- Neither the Issuer nor the Share Trustee is owned, controlled, managed, directed or instructed, whether directly or indirectly, by either AIB or AIB Parent, or any member of the group of companies containing AIB and of which AIB Parent is the ultimate holding company.

**TRANSACTION OVERVIEW**

**A. TRANSACTION PARTIES ON THE ISSUE DATE**

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Issuer</b>	Tenterden Funding plc	35 Great St Helen's, London EC3A 6AP	See the section entitled " <i>Issuer</i> " for further information.
<b>Seller</b>	AIB Group (UK) p.l.c.	Queen's Square, Belfast, BT1 3DJ	See the section entitled " <i>AIB Group (UK) p.l.c.</i> " for further information.
<b>Administrator</b>	AIB Group (UK) p.l.c.	Queen's Square, Belfast, BT1 3DJ	Administration Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Administration Agreement</i> " for further information.
<b>Cash Manager</b>	Deutsche Bank AG, London Branch	Winchester House, 1 Great Winchester Street, London EC2N 2DB	Cash Management Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " for further information.
<b>Note Trustee</b>	Deutsche Trustee Company Limited	Winchester House, 1 Great Winchester Street, London EC2N 2DB	Trust Deed by the Issuer.
<b>Security Trustee</b>	Deutsche Trustee Company Limited	Winchester House, 1 Great Winchester Street, London EC2N 2DB	Deed of Charge by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Deed of Charge</i> " for further information.
<b>Account Bank</b>	Barclays Bank PLC	One Churchill Place, London E14 5HP	Bank Account Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Bank Account Agreement</i> " for further information.
<b>Seller Collection</b>	AIB Group (UK) p.l.c.	Queen's Square,	

<b>Account Bank</b>		Belfast, BT1 3DJ	
<b>Subordinated Loan Provider</b>	AIB Group (UK) p.l.c.	Queen's Square, Belfast, BT1 3DJ	Subordinated Loan Agreement.
<b>Back-up Administrator</b>	Homeloan Management Limited	Gateway House, Gargrave Road, Skipton North Yorkshire, BD23 1UD	Back-up Administration Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Back-up Administration Agreement</i> ".
<b>Corporate Services Provider</b>	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Services Agreement by the Issuer.
<b>Principal Paying Agent and Agent Bank</b>	Deutsche Bank AG, London Branch	Winchester House, 1 Great Winchester Street, London EC2N 2DB	Agency Agreement by the Issuer.
<b>GIC Provider</b>	Barclays Bank PLC	5 The North Colonnade, London E14 4BB	Guaranteed Investment Contract by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Guaranteed Investment Contract</i> " for further information.
<b>Share Trustee</b>	SFM Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	Issuer Share Trust

**B. PORTFOLIO AND SERVICING**

Please refer to the sections entitled "*Characteristics of the Portfolio*", "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" and "*Summary of the Key Transaction Documents – Administration Agreement*" for further detail in respect of the characteristics of the Portfolio and the sale and the servicing arrangements in respect of the Portfolio.

<p><b>Sale of Portfolio:</b></p>	<p>The primary source of funds available to the Issuer to pay interest and principal on the Notes will be the Revenue Receipts and Principal Receipts generated by the Loans in the Portfolio. Pursuant to the Mortgage Sale Agreement, the Seller will sell its interest in the Portfolio to the Issuer on the Issue Date. The sale by the Seller to the Issuer of each Loan in the Portfolio which is secured by a Mortgage over a Property located in England, Wales, Scotland or Northern Ireland will be given effect by:</p> <ul style="list-style-type: none"> <li>(a) as regards Loans that are secured by a Mortgage over Properties located in England or Wales or Northern Ireland, an equitable assignment; and</li> <li>(b) as regards Loans that are secured by a Mortgage over a Property located in Scotland or where such Loans are otherwise governed by Scots law, a declaration of trust (the "<b>Scottish Declaration of Trust</b>").</li> </ul> <p>The terms "<b>sale</b>", "<b>sell</b>" and "<b>sold</b>" when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such creation of an equitable interest and such equitable assignment and the beneficial interest created under and pursuant to the Scottish Declaration of Trust, as applicable. The terms "<b>repurchase</b>" and "<b>repurchased</b>" when used in this Prospectus in connection with the Loans and their Related Security shall be construed to include the repurchase of the beneficial interest of the Issuer in respect of any Scottish Loans and their Related Security under the Scottish Declaration of Trust and the release of such Loans and their Related Security therefrom and, to the extent applicable, the concurrent sale of any Substitute Loans.</p> <p>Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Portfolio will not be given to the relevant individual or individuals specified as borrowers in the relevant mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay a relevant Loan or any part of it (the "<b>Borrowers</b>") under those Loans transferred and the Issuer will not apply to the Land Registry, the Central Land Charges Registry, the Land Registry of Northern Ireland, the Registry of Deeds, Belfast or the Registers of Scotland to register or record its equitable or beneficial interest in the English Mortgages or in the Northern Ireland Mortgages, respectively, or take any steps to complete or perfect its title to the Scottish Mortgages.</p>
<p><b>The Loans</b></p>	<p>The "<b>Portfolio</b>" will consist of the Loans, the Related Security and all monies derived therein from time to time.</p>

	<p>The term "<b>Loans</b>" when used in this Prospectus means the residential mortgage loans, secured by Mortgages and Related Security, in the Portfolio to be sold to the Issuer by the Seller on the Issue Date together with, where the context so requires, each Substitute Loan (as defined in "<i>Summary of the Key Transaction Documents — Mortgage Sale Agreement</i>") sold to the Issuer by the Seller after the Issue Date and any alteration to a Loan pursuant to a Product Switch but excluding (for the avoidance of doubt) each Loan and its Related Security which is repurchased by the Seller pursuant to the Mortgage Sale Agreement or otherwise sold by the Issuer in accordance with the terms of the Transaction Documents and no longer beneficially owned by the Issuer.</p> <p>In this Prospectus, "<b>English Loan</b>" or "<b>English Mortgage Loan</b>" means a Loan secured by an English Mortgage, and "<b>English Mortgage</b>" means a first ranking charge by way of legal mortgage over freehold or leasehold Properties located in England or Wales; "<b>Northern Ireland Loan</b>" or "<b>Northern Ireland Mortgage Loan</b>" means a Loan secured by a Northern Ireland Mortgage, and "<b>Northern Ireland Mortgage</b>" means a first ranking fixed charge or mortgage over freehold or leasehold Properties located in Northern Ireland; "<b>Scottish Loan</b>" or "<b>Scottish Mortgage Loan</b>" means a Loan secured by a Scottish Mortgage, and "<b>Scottish Declaration of Trust</b>" means each declaration of trust in relation to the relevant Scottish Loans and their Related Security made pursuant to the Mortgage Sale Agreement by means of which the sale of Scottish Loans and their Related Security by the Seller to the Issuer and the transfer of the beneficial interest therein to the Issuer are given effect.</p> <p>In this Prospectus, "<b>Mortgaged Property</b>" or "<b>Property</b>" means (in England and Wales and in Northern Ireland) a freehold or leasehold property or (in Scotland) a heritable property or property held under a long lease, which is, in each case, subject to a Mortgage and together are referred to as the "<b>Mortgaged Properties</b>" or "<b>Properties</b>". A "<b>Scottish Mortgage</b>" means a first ranking standard security over a heritable Property or Property held under a long lease located in Scotland.</p> <p>"<b>Related Security</b>" means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto.</p> <p>"<b>Business Day</b>" means a day (other than a Saturday or Sunday) on which banks are generally open for business in London, Belfast and Dublin.</p>		
<p><b>Key characteristics of the Actual Provisional Portfolio:</b></p>	<p>The following is a summary of certain key characteristics of the Actual Provisional Portfolio as at 30<sup>th</sup> March 2012 (the "<b>Cut-Off Date</b>") and Noteholders should refer to, and carefully consider, further details in respect of the Loans set out in "<i>Characteristics of the Portfolio</i>".</p> <table data-bbox="655 1944 1404 1982"> <tr> <td style="padding-left: 40px;">Aggregate Loan balance (£)</td> <td style="text-align: right;">438,537,972</td> </tr> </table>	Aggregate Loan balance (£)	438,537,972
Aggregate Loan balance (£)	438,537,972		

	<table> <tr> <td>Number of Loans</td> <td>3,664</td> </tr> <tr> <td>Largest Loan (Outstanding Principal Balance on the Cut-off Date) (£)</td> <td>1,277,294</td> </tr> <tr> <td>Average Loan balance (Outstanding Principal Balance on the Cut-off Date) (£)</td> <td>119,688</td> </tr> <tr> <td>Weighted average current LTV</td> <td>60.56%</td> </tr> <tr> <td>Weighted average interest rate</td> <td>2.41%</td> </tr> <tr> <td>Weighted average seasoning (months)</td> <td>66.37</td> </tr> </table> <p>Approximately 20.10 per cent. of the Loans comprising the Actual Provisional Portfolio are Loans secured on properties in Northern Ireland, and the remainder are Loans secured on properties in Great Britain.</p>	Number of Loans	3,664	Largest Loan (Outstanding Principal Balance on the Cut-off Date) (£)	1,277,294	Average Loan balance (Outstanding Principal Balance on the Cut-off Date) (£)	119,688	Weighted average current LTV	60.56%	Weighted average interest rate	2.41%	Weighted average seasoning (months)	66.37
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Weighted average interest rate	2.41%												
Weighted average seasoning (months)	66.37												
<p><b>Consideration:</b></p>	<p>The Issuer will use the gross proceeds of the Notes principally to pay the Initial Consideration payable by the Issuer for the Portfolio to be acquired from the Seller on the Issue Date.</p> <p>The Issuer's obligation to pay the Initial Consideration to the Seller will be satisfied in part by way of set-off (to the full extent of such issue price) against the amount payable by AIB (as purchaser of the Class B Notes) in respect of the issue price of the Class B Notes under the Subscription Agreement.</p> <p>In addition to the Initial Consideration, the Issuer will be required to pay Deferred Consideration to the Seller in accordance with the then-applicable Priority of Payments.</p>												
<p><b>Loan Warranties:</b></p>	<p>The Issuer will have the benefit of warranties (the "<b>Loan Warranties</b>") given, or to be given, by the Seller as at the Cut-off Date in relation to the Loans and their Related Security being sold by the Seller on the Issue Date, including warranties in relation to the Lending Criteria applied in advancing the Loans. The Loan Warranties are summarised in the section of this Prospectus entitled "<i>Summary of the Key Transaction Documents — Mortgage Sale Agreement</i>".</p> <p>Loan Warranties include the following:</p> <ul style="list-style-type: none"> <li>• First ranking security in respect of properties located in England and Wales, Northern Ireland and Scotland;</li> <li>• No Loan has an outstanding balance of more than £1,500,000;</li> <li>• No Loan is more than 29 days in arrears in respect of any scheduled payment;</li> <li>• Each Borrower has made at least one scheduled payment; and</li> </ul>												

	<ul style="list-style-type: none"> <li>• Each Loan matures for repayment not later than 30 months prior to the Final Maturity Date.</li> </ul> <p>See section "<i>Summary of the Key Transaction Documents – Mortgage Sale Agreement</i>" for further details.</p>
<p><b>Repurchase of the Loans and Related Security:</b></p>	<p>The Seller will be required to repurchase any of the Loans sold to the Issuer pursuant to the Mortgage Sale Agreement if any warranty made by the Seller in relation to that Loan and/or its Related Security (or any warranty made in relation to any Product Switch made in connection with that Loan) proves to be materially untrue as at the date the relevant warranty was made in respect of the relevant Loan or Product Switch to the Issuer. Where the breach of warranty has not been (or cannot be) remedied within 30 Business Days of receipt of notice from the Issuer, the Seller will, upon receipt of a further notice from the Issuer, repurchase such Loan and its Related Security from the Issuer on the Interest Payment Date immediately following receipt of such further notice by the Seller.</p> <p>In addition the Seller will be required to repurchase any Loan and its Related Security in circumstances where it agrees to make a Further Advance in respect of that Loan.</p> <p>Investors should see the section of this Prospectus entitled "<i>Summary of the Key Transaction Documents — Mortgage Sale Agreement</i>" for further details. At any time that the Seller is obliged to repurchase a Loan, the Seller will (subject to the satisfaction of certain conditions) be entitled to sell, and if the Seller elects to so sell the Issuer will purchase, a replacement Loan (a "<b>Substitute Loan</b>") in satisfaction of all or part of the consideration for repurchase on the Interest Payment Date that such repurchase is due to be effected.</p>
<p><b>Consideration for repurchase:</b></p>	<p>The consideration payable in respect of any Loan to be repurchased will be the relevant Loan's Outstanding Principal Balance, together with arrears of interest and accrued interest and un-capitalised charges and expenses thereon but excluding any Further Advances made in respect of such Loan. This aggregate value will be calculated on the basis of the Loan data available to the Seller as at the Collection Period End Date immediately preceding the Interest Payment Date on which repurchase is to be effected.</p> <p>The consideration payable by the Issuer to the Seller for the purchase of any Substitute Loan shall be set off to the extent of any repurchase price otherwise payable by the Seller on the relevant Interest Payment Date, and vice versa, with any remaining balance owing to the Seller being added to, and therefore deemed to comprise, Deferred Consideration in respect of the Portfolio.</p>
<p><b>Further Advances:</b></p>	<p>Investors should see the section of this Prospectus entitled '<i>Summary of the Key Transaction Documents — Mortgage Sale Agreement — Further Advances</i>' for a summary of the key terms relating to the repurchase by the Seller of Loans that are the subject of Further Advances.</p>

<p><b>Product Switches:</b></p>	<p>Investors should see the section of this Prospectus entitled '<i>Summary of the Key Transaction Documents — Mortgage Sale Agreement — Product Switches</i>' for a summary of the key terms relating to Product Switches.</p>
<p><b>Perfection Events:</b></p>	<p>The legal transfers to the Issuer of all the Loans and their Related Security will be completed as soon as reasonably practicable after the earliest to occur of the following (each a "<b>Perfection Event</b>"): </p> <ul style="list-style-type: none"> <li>(a) a Seller Insolvency Event; or</li> <li>(b) the Seller being required to perfect the Issuer's legal title to the Loans and the Related Security by law, by an order of a court of competent jurisdiction, or by a regulatory authority to which the Seller is subject.</li> </ul> <p>Prior to the completion of the transfer of legal title to the relevant Loans and Related Security, the Issuer will hold only the equitable title or, in relation to any Scottish loans and their Related Security, beneficial title to those Loans pursuant to the Scottish Declaration of Trust and will therefore be subject to certain risks as set out in the risk factor entitled "<i>Seller to Initially Retain Legal Title to the Loans</i>" in the Risk Factors section.</p>
<p><b>Servicing of the Portfolio:</b></p>	<p>The parties to the Administration Agreement will be the Issuer, the Security Trustee, the Seller and the Administrator (the "<b>Administration Agreement</b>").</p> <p>The Administrator will be appointed by the Issuer and, in respect of the making of any Further Advances or Product Switches, the Seller to service the Portfolio on a day-to-day basis on behalf of the Issuer (such services, inter alia, the "<b>Services</b>").</p> <p>The Administrator receives a fee (payable on each Interest Payment Date) for servicing the Loans (the "<b>Administration Fee</b>") (inclusive of VAT, if applicable) of 0.15 per cent. per annum on the aggregate Outstanding Principal Balance of the Loans comprising the Portfolio as at the opening of business on the first day of the preceding Collection Period.</p> <p>The Administrator is required, amongst other matters, to determine and set (to the extent that the Seller is so permitted by the terms which apply to each such Loan in the Portfolio) the variable rate applicable to any Variable Rate Loan, Discounted Rate Loan and Tracker Rate Loan in the Portfolio (the "<b>Issuer Variable Rate</b>"), although this authority may be revoked following an Administrator Termination Event (when the Issuer will be entitled to do so).</p> <p>The appointment of the Administrator may be terminated by the Issuer, or following the enforcement of the Security, the Security Trustee upon the occurrence of the following events (the "<b>Administrator Termination Events</b>"): </p> <ul style="list-style-type: none"> <li>(a) default is made by the Administrator in the payment or transfer of any amount due under the Administration</li> </ul>



	<p>Agreement or any other Transaction Document to which it is a party and such default continues unremedied for a period of 20 Business Days after the earlier of the Administrator becoming aware of such default and receipt by the Administrator of written notice from the Issuer or (following enforcement of the Security) the Security Trustee, as the case may be, requiring that default to be remedied;</p> <p>(b) default is made by the Administrator in the performance or observance of any of its other covenants or obligations under the Administration Agreement or any other Transaction Document to which it is a party, which in the opinion of the Security Trustee is materially prejudicial to the interests of the Secured Creditors, provided that in the event of any conflict between the interests of the Noteholders and the other Secured Creditors the Security Trustee will have regard to the interests of the Noteholders only, and (only if, in the opinion of the Security Trustee, the default is capable of remedy) such default continues unremedied for a period of 20 Business Days after the earlier of the Administrator becoming aware of such default and receipt by the Administrator of written notice from the Issuer or (following enforcement of the Security) the Security Trustee, as the case may be, requiring that default to be remedied provided however that where the relevant default occurs as a result of a default by any person to whom the Administrator has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute an Administrator Termination Event if, within such period of 20 Business Days, the Administrator terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following enforcement of the Security) the Security Trustee may in its absolute discretion specify to remedy such default or to indemnify the Issuer and/or the Security Trustee against the consequences of such default; or</p> <p>(c) the occurrence of an Insolvency Event in relation to the Administrator.</p> <p>The Administrator may also resign upon giving 12 months (or shorter period if a replacement administrator is in place) written notice provided a replacement administrator has been appointed by the Issuer.</p> <p>The Back-up Administrator will be appointed (as at the Issue Date) pursuant to the Back-up Administration Agreement and, in the absence of another substitute administrator being appointed within the required timeframe as set out in the Transaction Documents, the Issuer will be required to take such steps as are required under the Back-up Administration Agreement to require the Back-up Administrator to administer the loans following the resignation or termination of the appointment of the Administrator.</p> <p>If the Back-up Administrator's appointment is terminated prior to</p>
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	Invocation the Administrator shall use best efforts to procure the appointment of another back-up administrator which meets the requirements for a replacement back-up administrator in the Back-up Administration Agreement.
<b>Delegation:</b>	Subject to certain conditions, the Administrator may sub-contract some or all of its duties in this role to a third party provided that the Administrator remains responsible for the performance of any functions so delegated. See " <i>Summary of Key Transaction Documents — Servicing Agreement</i> " below.

**C. SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES**

Please refer to section entitled "*Terms and Conditions of the Notes*" for further detail in respect of the terms of the Notes.

**FULL CAPITAL STRUCTURE OF THE NOTES**

	<b>Class A Notes<sup>1</sup></b>	<b>Class B Notes<sup>2</sup></b>
Currency:	GBP	GBP
Principal Amount:	£316,624,000	£121,913,000
Credit enhancement:	Subordination of the Class B Notes, the General Reserve Fund, the Liquidity Reserve Fund and availability of excess spread.	Prior to the Step-Up Date, the availability of excess spread.
Issue Price:	97.16%	107.375852%
Reference Rate:	Three-Month Sterling LIBOR	Three-Month Sterling LIBOR
Margin:	Prior to the Step-Up Date, 1.50% and, from and including the Step-Up Date, 3.50%	Zero
Step-Up Date:	The Interest Payment Date falling in June 2017.	Not applicable.
Interest Accrual Method:	Actual/365	Actual/365
Business Days:	London, Belfast and Dublin	London, Belfast and Dublin
Business Day Convention:	Following	Following
Payment Dates:	Quarterly in arrear on 21 <sup>st</sup> March, June, September and December	Quarterly in arrear on 21 <sup>st</sup> March, June, September and December
First Payment Date:	21 <sup>st</sup> September 2012	21 <sup>st</sup> September 2012
Call Option:	On or after the Interest Payment Date falling in June 2017.	On or after the Interest Payment Date falling in June 2017.
Final Maturity Date:	The Interest Payment Date falling in March 2044	The Interest Payment Date falling in March 2044
Application for Exchange Listing:	Irish Stock Exchange	Irish Stock Exchange
Form of the Notes:	Bearer	Bearer
Clearing/Settlement:	Euroclear/Clearstream, Luxembourg	Euroclear/Clearstream, Luxembourg
ISIN:	XS0778328079	XS0778328236
Common Code:	077832807	077832823

<sup>1</sup> One or more of the Joint Lead Managers or a purchaser from the Joint Lead Managers may or may not acquire (and initially retain) a significant portion of the Class A Notes on the Issue Date.

<sup>2</sup> As of the Issue Date all Class B Notes will be subscribed for by the Seller.

Expected Ratings (S&P/Fitch):	AAA(sf)/AAAsf	Not rated
Governing Law:	English law	English law
Minimum Denomination:	£100,000 and integral multiples of £1000 in excess thereof (up to £199,000 if Definitive Notes are issued)	£100,000 and integral multiples of £1000 in excess thereof (up to £199,000 if Definitive Notes are issued)

<b>Ranking and form of the Notes:</b>	<p>The Issuer will issue the following classes of the Notes on the Issue Date under the Trust Deed:</p> <ul style="list-style-type: none"> <li>• Class A Asset Backed Floating Rate Notes due 2044 (the "<b>Class A Notes</b>"); and</li> <li>• Class B Asset Backed Floating Rate Notes due 2044 (the "<b>Class B Notes</b>"),</li> </ul> <p>and together, the Class A Notes and the Class B Notes, are the "<b>Notes</b>" and the holders thereof, the "<b>Noteholders</b>".</p> <p>The Class A Notes will rank <i>pari passu</i> and <i>pro rata</i> as to payments of interest and principal without any preference or priority among themselves and ahead of the Class B Notes at all times.</p> <p>Pursuant to the Deed of Charge, the Notes will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security. Amounts due in respect of the Class A Notes will rank in priority to amounts due in respect of the Class B Notes. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to amounts due in respect of the Notes.</p> <p>The Notes will be issued in bearer form. Each Class of Notes will be issued pursuant to Regulation S and cleared through Euroclear and/or Clearstream, Luxembourg as set out in "<i>Description of the Notes in Global Form</i>" below.</p>
<b>Interest on the Notes:</b>	<p>The interest rates applicable to both classes of Notes from time to time will be as set out in "<i>Full Capital Structure of the Notes</i>" above, and will be payable on the dates stated therein.</p> <p>The provisions governing the determination of the applicable interest rate can be found in the section of this Prospectus entitled "<i>Terms and Conditions of the Notes - Condition 3 – Interest</i>" for the terms upon which interest will be paid on the Notes.</p> <p>Interest payments on the Class B Notes will be subordinated to interest payments on the Class A Notes (investors should see the section of this Prospectus entitled "<i>Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer — Pre-Acceleration Revenue Priority of Payments</i>").</p>

<b>Deferral of Interest on Class B Notes:</b>	<p>In certain circumstances, some or all of the amount of interest due from the Issuer to the Class B Noteholders on an Interest Payment Date may be deferred, without such deferral resulting in an Event of Default under the Notes.</p> <p>Interest may not be deferred on the Class A Notes, or on the Class B Notes once the Class A Notes have been redeemed in full.</p> <p>Investors should see the section of this Prospectus entitled "<i>Terms and Conditions of the Notes — Condition 14 — Subordination by Deferral</i>" for a full statement of the terms upon which interest will be deferred on the Class B Notes.</p>
<b>Security:</b>	<p>Pursuant to a deed of charge to be entered into between, <i>inter alios</i>, the Issuer and the Security Trustee (the "<b>Deed of Charge</b>") on the Issue Date, the Notes will be secured by, <i>inter alia</i>, the following security (the "<b>Security</b>"): </p> <ul style="list-style-type: none"><li>• a first fixed charge over the Issuer's interest in the English Loans and the English Mortgages and the Northern Irish Loans and the Northern Irish Mortgages and their other Related Security and other related rights comprised in the Portfolio;</li><li>• an assignation in security of the Issuer's beneficial interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Seller pursuant to the Scottish Declarations of Trust);</li><li>• an assignment by way of security of (and, to the extent not assigned, a first fixed charge over) the Issuer's right, title, interest and benefit in and to the Transaction Documents to which the Issuer is a party;</li><li>• a first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Bank and any sums standing to the credit thereof;</li><li>• without prejudice to any fixed security, a floating charge over all of the Issuer's undertaking, property and assets (present and future).</li></ul> <p>See "<i>Summary of the Key Transaction Documents - Deed of Charge</i>" below.</p>

<p><b>Mandatory Redemption:</b></p>	<p>On each Interest Payment Date prior to the service of a Note Acceleration Notice, subject to the applicable Pre-Acceleration Principal Priority of Payments (as set out in full in the section of this Prospectus entitled "<i>Cashflows</i>"), Available Principal Receipts will be applied sequentially to repay the Class A Notes on a <i>pro rata</i> basis until repaid in full, and then the Class B Notes on a <i>pro rata</i> basis until repaid in full.</p> <p>Investors should see the section of this Prospectus entitled "<i>Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.2 (Mandatory redemption)</i>" for a full statement of the terms upon which the Notes will be mandatorily redeemed.</p>
<p><b>Optional Redemption in Full:</b></p>	<p>Subject to certain conditions, the Issuer may at its option redeem all (but not some only) of the Notes on any Interest Payment Date up to, and including, the Final Maturity Date if:</p> <ul style="list-style-type: none"> <li>(a) the relevant Interest Payment Date is on or after the Step-Up Date; or</li> <li>(b) on the relevant Interest Payment Date the appropriate Principal Amount Outstanding of the Class A Notes is equal to or less than 10 per cent of the aggregate Principal Amount Outstanding of the Class A Notes on the Issue Date.</li> </ul> <p>Investors should see the section of this Prospectus entitled "<i>Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.3 (Optional Redemption in Full)</i>" for the terms upon which the Notes may be redeemed in full at the Issuer's option.</p>
<p><b>Optional Redemption for Tax Reasons:</b></p>	<p>The Issuer may at its option redeem all (but not some only) of the Notes where it has suffered adverse Tax consequences as a result of a change in Tax law on any Interest Payment Date following the date on which such change in Tax law has occurred, as fully set out in "<i>Terms and Conditions of the Notes — Condition 5 (Redemption) — Condition 5.4 (Optional Redemption for Taxation Reasons)</i>".</p>
<p><b>Expected Average Lives of the Notes:</b></p>	<p>The actual average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Loans and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Class A Notes can be made based on certain assumptions as described under "<i>Weighted Average Lives of the Notes</i>", below.</p>
<p><b>Event of Default:</b></p>	<p>As fully set out in the section of this Prospectus entitled "<i>Terms and Conditions of the Notes – Condition 8 (Events of Default)</i>", which broadly includes (where relevant, subject to the applicable grace period):</p> <ul style="list-style-type: none"> <li>• non-payment of interest and/or principal due in respect of the Class A Notes;</li> <li>• breach of contractual obligations by the Issuer under the Transaction Documents;</li> </ul>

	<ul style="list-style-type: none"><li>• the occurrence of certain insolvency events in respect of the Issuer; and</li><li>• it being or becoming illegal for the Issuer to comply with its obligations.</li></ul>
<b>Limited Recourse:</b>	The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding will no longer be due, as described in more detail in the section of the Prospectus entitled " <i>Terms and Conditions of the Notes - Condition 9.3 (Limited Recourse)</i> ".
<b>Withholding Tax:</b>	Payments of interest and principal with respect to the Notes will be subject to any applicable withholding or deduction for or on account of any taxes and none of the Issuer, any Paying Agent or any other person will be obliged to pay additional amounts in respect of any such withholding or deduction. Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a " <b>recognised stock exchange</b> " within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes. Securities will be treated as listed on the Irish Stock Exchange if they are listed and admitted to trading by the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed (and there is no change in applicable tax law), interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax. The applicability of any withholding or deduction for or on account of UK taxes is discussed further under the section of this Prospectus entitled ' <i>United Kingdom Taxation</i> '.

**D. OVERVIEW OF RIGHTS OF NOTEHOLDERS**

Please refer to sections entitled "*Terms and Conditions of the Notes*" and "*Risk Factors*" for further detail in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Secured Creditors.

<p><b>At any time (irrespective of an Event of Default):</b></p>	<p>Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of a Class of Notes then outstanding are entitled to request that the Issuer convene a Noteholders' meeting of that Class and, if the Issuer makes default for a period of seven days in convening such meeting, said meeting may be convened by the Note Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) or the requesting Noteholders.</p>
<p><b>Following an Event of Default:</b></p>	<p>Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer declaring that both Classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued Interest as provided in the Trust Deed.</p> <p>So long as no Class A Notes remain outstanding, upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes then outstanding or if so directed by an Extraordinary Resolution of the Class B Noteholders shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer that the Class B Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued Interest as provided in the Trust Deed.</p>

<p><b>Noteholders Meeting Provisions:</b></p>	<p><b>Notice period:</b></p>	<p>At least 21 clear days for an initial meeting</p>	<p>At least 10 clear days for an adjourned meeting</p>
	<p><b>Quorum:</b></p>	<p>For an initial meeting, the quorum for passing an Ordinary Resolution shall be one or more persons present and representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of the relevant class of Notes then</p>	<p>For an adjourned meeting, the quorum shall be one or more persons present and representing any holding (other than in respect of a Basic Terms Modification, which requires not less than 25 per cent. of the aggregate Principal Amount Outstanding of the</p>



		<p>outstanding. The quorum for passing an Extraordinary Resolution shall be one or more persons present and representing not less than 50 per cent. in Principal Amount Outstanding of such Class of Notes then outstanding. The quorum for a Basic Terms Modification shall be one or more persons present and representing not less than 75 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding.</p>	<p>Notes of such Class then outstanding).</p>
	<p><b>Required Majority:</b></p>	<p>For initial meetings, a clear majority of votes cast for matters requiring Ordinary Resolution and not less than 75 per cent. of votes cast for matters requiring Extraordinary Resolution.</p>	<p>For adjourned meetings, a clear majority of votes cast for matters requiring Ordinary Resolution and not less than 75 per cent. of votes cast for matters requiring Extraordinary Resolution.</p>
	<p><b>Written Resolution:</b></p>	<p>All the Noteholders of the relevant Class of Notes then outstanding. A Written Resolution has the same effect as an Extraordinary Resolution.</p>	

	<p><b>"Extraordinary Resolution"</b> means:</p> <p>(a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Conditions by a majority consisting of not less than three-quarters of the votes cast; or</p> <p>(b) a resolution in writing signed by or on behalf of all the Noteholders of a Class of Notes then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class.</p>
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	<p><b>"Ordinary Resolution"</b> means:</p> <ul style="list-style-type: none"><li>(a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Conditions by a clear majority of the votes cast; or</li><li>(b) a resolution in writing signed by or on behalf of all the Noteholders of a Class of Notes then outstanding, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class.</li></ul>
<p><b>Matters requiring Extraordinary Resolution:</b></p>	<p>The following matters require an Extraordinary Resolution:</p> <ul style="list-style-type: none"><li>(a) Sanctioning any compromise or arrangement proposed to be made between the Issuer, any other party to any Transaction Document, the Security Trustee, the Note Trustee, any Appointee and the Noteholders or any of them.</li><li>(b) Sanctioning any abrogation, modification, compromise or arrangement in respect of the rights of the Note Trustee, the Security Trustee, any Appointee, the Noteholders, the Issuer or any other party to any Transaction Document against any other or others of them or against any of their property whether such rights arise under the Trust Deed, any other Transaction Document or otherwise.</li><li>(c) Assenting to any modification of the provisions of the Trust Deed or any other Transaction Document which is proposed by the Issuer, the Note Trustee, the Security Trustee, or any other party to any Transaction Document or any Noteholder.</li><li>(d) Giving any authority or sanction which under the provisions of the Trust Deed or any other Transaction Document is required to be given by Extraordinary Resolution.</li><li>(e) Appointing any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.</li><li>(f) Approving of a person to be appointed a trustee and/or removing the Note Trustee or any other trustees for the time being in respect of the Notes or the Security Trustee subject to and in accordance with the Trust Deed or in accordance with the relevant provisions in the Deed of Charge.</li><li>(g) Discharging or exonerating the Note Trustee and/or the Security Trustee and/or any Appointee from all liability in respect of any act or omission for which the Note Trustee and/or the Security Trustee and/or such Appointee may have become responsible under the Transaction Documents.</li><li>(h) Authorising the Note Trustee, the Security Trustee and/or any Appointee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution.</li><li>(i) Sanctioning any scheme or proposal for the exchange or sale of the Notes for or the conversion of the Notes into or the cancellation of the Notes in consideration of shares, stock, notes, Notes, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, Notes, debentures,</li></ul>

	<p>debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash.</p> <p>(j) Approving the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Notes,</p> <p>Provided that:</p> <p>(i) an Extraordinary Resolution (other than in relation to a Basic Terms Modification) passed at any meeting of the Class A Noteholders shall be binding on the Class B Noteholders irrespective of the effect upon them;</p> <p>(ii) an Extraordinary Resolution of the Class B Noteholders shall not be effective for any purpose unless either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders; and</p> <p>(iii) for the avoidance of doubt, an Extraordinary Resolution in relation to a Basic Terms Modification passed at any meeting of the Class A Noteholders shall not be binding on the Class B Noteholders unless and until such Basic Terms Modification is sanctioned by an Extraordinary Resolution of the Class B Noteholders.</p>
<p><b>Relationship between Classes of Noteholders:</b></p>	<p>Other than in respect of a Basic Terms Modification an Extraordinary Resolution of Class A Noteholders shall be binding on the Class B Noteholders irrespective of the effect upon them.</p>
<p><b>Basic Terms Modification:</b></p>	<p>A "<b>Basic Terms Modification</b>" means any proposal to:</p> <p>(a) sanction a modification of the date of maturity of the Notes of any Class, to change the amount of principal or interest due on any date in respect of the Notes of any Class or to alter the method of calculating the amount of any payment (including the Rate of Interest) in respect of the Notes of any Class;</p> <p>(b) (except in accordance with <i>Condition 5.4 (Optional Redemption For Taxation Reasons)</i>) effect the exchange, conversion or substitution of the Notes of any Class for, or the conversion of such Notes into shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed and/or for cash;</p> <p>(c) alter the currency of payment of the Notes of any Class;</p> <p>(d) alter the quorum or majority required in relation to this exception;</p> <p>(e) sanction a modification which would result in any material change to the constitution of the Charged Property;</p> <p>(f) amend the order of the Priority of Payments as set out in the Deed of Charge and Cash Management Agreement; or</p> <p>(g) alter this definition.</p>
<p><b>Relationship between Noteholders and other Secured Creditors:</b></p>	<p>The Security Trustee is required to have regard to the interests of the other Secured Creditors (provided that in the event of any conflict between the interests of Noteholders and the other Secured Creditors, the interests of the Noteholders will prevail).</p>

<b>Provision of Information to Noteholders:</b>	The Cash Manager will prepare and publish a quarterly report in relation to the Portfolio and the Notes (each, an " <b>Investor Report</b> "). Each quarterly Investor Report will be made available to the Noteholders via the Cash Manager's internet website currently located at <a href="https://tss.sfs.db.com/investpublic">https://tss.sfs.db.com/investpublic</a> . Further information in respect of individual loan level data may be obtained on the following website: <a href="https://www.structuredfn.com.portal/company/?sfn/deal/Tenderden%20Funding%20Plc">https://www.structuredfn.com.portal/company/?sfn/deal/Tenderden%20Funding%20Plc</a> . The websites and the contents thereof do not form part of this Prospectus.
<b>Communication with the Noteholders:</b>	Any notice to be given by the Issuer or the Note Trustee to Noteholders: <ul style="list-style-type: none"><li>• so long as the Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders;</li><li>• so long as the Notes are listed on a recognised stock exchange, also by delivery in accordance with the notice requirements of that exchange.</li></ul>

**E. CREDIT STRUCTURE AND CASHFLOW**

<p><b>Available Revenue Receipts</b></p>	<p>The Issuer will have Available Revenue Receipts and Available Principal Receipts for the purposes of making interest and principal payments under the Notes and the other Transaction Documents.</p> <p>As used in this Prospectus:</p> <p><b>"Available Revenue Receipts"</b> means for each Interest Payment Date an amount equal to the aggregate of (without double-counting):</p> <ul style="list-style-type: none"><li>(a) Revenue Receipts (or Calculated Revenue Receipts where Condition 3.9 (<i>Determinations and Reconciliation</i>) applies) received during the immediately preceding Collection Period, including Revenue Receipts under limb (d) of the definition thereof received by the Issuer on such Interest Payment Date, provided that save following the occurrence of an Administrator Termination Event or a Perfection Event which is continuing, Early Repayment Charges shall be excluded from the definition of Revenue Receipts, and shall instead be paid directly to the Seller on each Interest Payment Date;</li><li>(b) interest payable to the Issuer on the Bank Accounts received during the immediately preceding Collection Period;</li><li>(c) <ul style="list-style-type: none"><li>(i) on an Interest Payment Date other than an Interest Payment Date upon which the Class A Notes are redeemed in full, the amounts standing to the credit of the General Reserve Fund (other than the Transition Reserve Fund and the Liquidity Reserve Fund) on the immediately preceding Calculation Date which are to be applied to cover items (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date pursuant to the Cash Management Agreement;</li><li>(ii) on an Interest Payment Date (other than the Interest Payment Date falling in June 2018) following the Default Trigger being reached, the amounts standing to the credit of the Liquidity Reserve Fund on the immediately preceding Calculation Date which are to be applied to cover items (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date pursuant to the Cash Management Agreement;</li><li>(iii) on the Interest Payment Date falling in June 2018, the amounts standing to the credit of the</li></ul></li></ul>
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	<p>Liquidity Reserve Fund; and</p> <p>(iv) on the Interest Payment Date upon which the Class A Notes are redeemed in full, the amounts standing to the credit of the General Reserve Fund (including the Transition Reserve Fund and Liquidity Reserve Fund);</p> <p>(d) on an Interest Payment Date amounts referred to in paragraph (e) of the definition of Available Principal Receipts</p> <p>(e) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts and any amounts credited to the Issuer Margin Ledger and without double-counting the amounts described in paragraphs (a) to (d) above or (f) and (g) below;</p> <p>(f) any amount applied as Available Revenue Receipts in accordance with Condition 3.9(c)(ii) (<i>Determinations and Reconciliation</i>);</p> <p>(g) following the occurrence of an Administrator Termination Event and the payment of the Invocation Fee by the Administrator or, as the case may be, the Issuer to the Back-up Administrator, the balance standing to the credit of the Transition Reserve Fund;</p> <p>less</p> <p>(h) Third Party Amounts; and</p> <p>(i) an amount to be applied as Available Principal Receipts in accordance with Condition 3.9(c)(i) (<i>Determinations and Reconciliation</i>) on the relevant Interest Payment Date.</p> <p><b>"Default Trigger"</b> means, on any Collection Period End Date, that the Outstanding Principal Balance of all Defaulted Loans, calculated as at such Collection Period End Date and determined in respect of each Defaulted Loan as at the date it first became a Defaulted Loan (without having regard to any subsequent recoveries), exceeds an amount equal to 20 per cent. of the Outstanding Principal Balance of all Loans in the Initial Portfolio, determined as at the Issue Date;</p> <p><b>"Defaulted Loans"</b> means, at any time, all Loans in the Portfolio that are or have been the subject of repossession proceedings by or on behalf of the Issuer or in respect of which the related Mortgaged Property has been repossessed by or on behalf of the Issuer, in each case from and including the Issue Date;</p> <p><b>"Third Party Amounts"</b> means (to the extent not previously deducted by the Administrator or Back-up Administrator or reimbursed by the Cash Manager on behalf of the Issuer in accordance with the Cash Management Agreement) amounts applied from time to time during the immediately preceding</p>
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	<p>Collection Period in making payment of certain monies which properly belong to third parties such as (but not limited to):</p> <ul style="list-style-type: none"> <li>(a) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;</li> <li>(b) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller;</li> <li>(c) any costs which are incurred by the Administrator or the Back-up Administrator, as the case may be, as a result of the repayment of any amount (or part thereof), which was paid in or credited to the Seller Collection Accounts or Issuer Collection Accounts, respectively, and in each case in respect of which a corresponding amount has been credited to the Transaction Account that has not been received as cleared funds or has otherwise been recalled, and which are irrecoverable by the Administrator or the Back-up Administrator, as the case may be, from the relevant Borrower; and</li> <li>(d) any amounts which are (following a final non-appealable determination by a relevant regulator, including, for the avoidance of doubt, the Financial Ombudsman Service) required to be paid by the Issuer by way of regulatory penalty or other regulatory compensation payment, where payment is made or to be made by the Back-up Administrator on behalf of the Issuer in circumstances where the relevant regulatory penalty or other regulatory compensation payment arises otherwise than as a result of the Back-up Administrator's negligence, fraud or wilful default in carrying out its functions as the Back-up Administrator under the Back-up Administration Agreement or the other Transaction Documents or as a result of a breach by it of the terms and provisions of the Back-up Administration Agreement in relation to such functions.</li> </ul> <p>Third Party Amounts may be deducted (i) by the Administrator on a daily basis from the Seller Collection Credit Accounts or following Invocation, (ii) by the Back-up Administrator or (only in the case of items within (a) of the definition of Third Party Amounts) the Account Bank from the Issuer Collection Accounts or (iii) by the Cash Manager or (only in the case of items within (a) of the definition of Third Party Amounts) the Account Bank on a daily basis during the life of the transaction from the Transaction Account or, to the extent that the balance standing to the credit of the Transaction Account is insufficient, the GIC Account (save where such withdrawal would reduce the balance standing to the credit of the GIC Account below the General Reserve Required Amount or would reduce the balance standing to the credit of the Transition Reserve Fund, the Liquidity Reserve Fund or the Issuer Margin Ledger) to make payment to the persons entitled thereto.</p>
<p><b>Available Principal Receipts</b></p>	<p>As used in this Prospectus:</p>

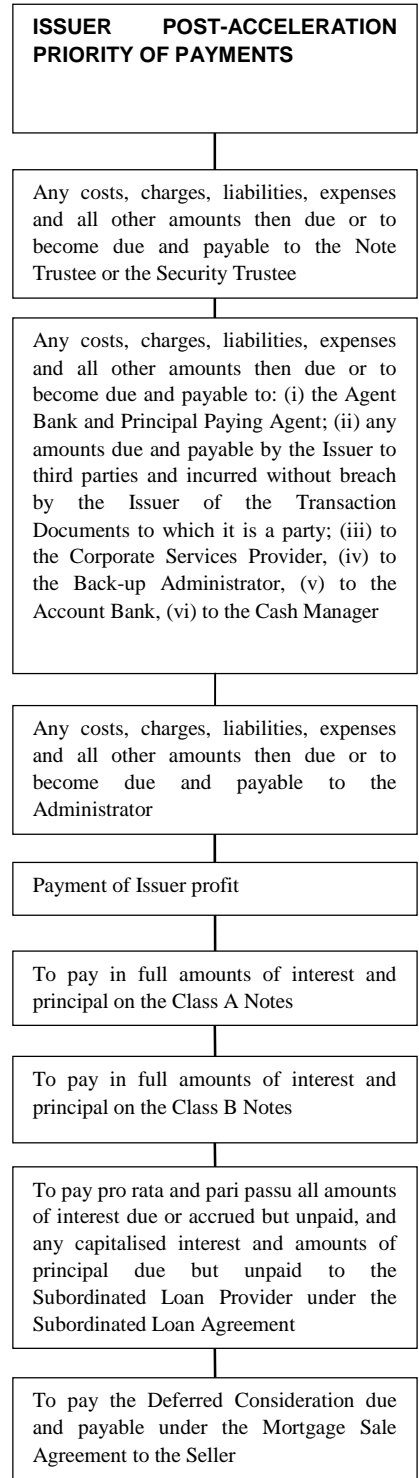
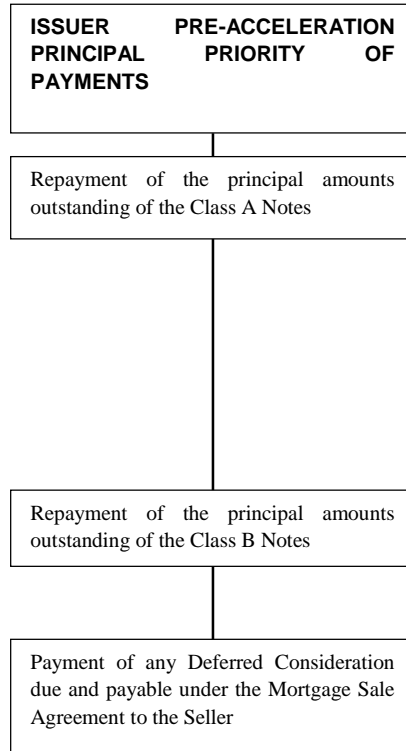
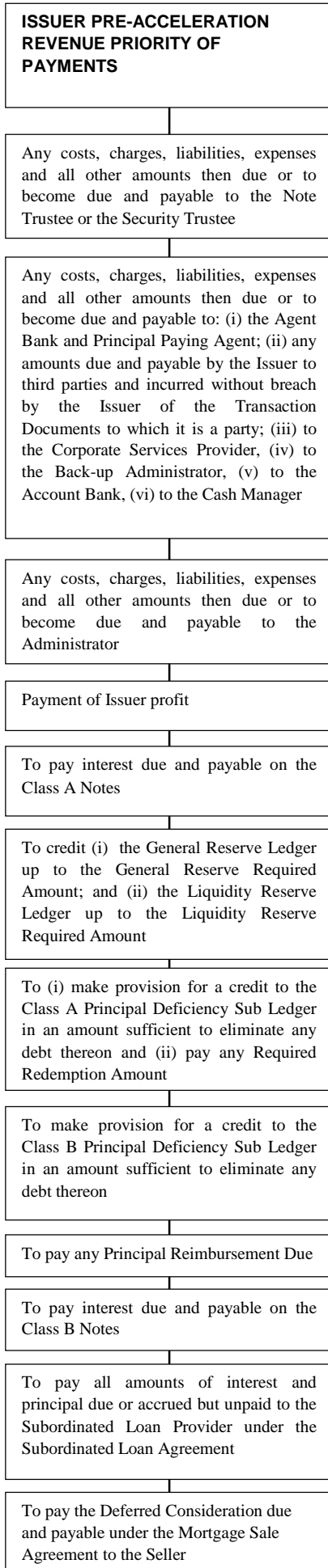
	<p><b>"Available Principal Receipts"</b> means for any Interest Payment Date:</p> <ul style="list-style-type: none"><li>(a) all Principal Receipts (or Calculated Principal Receipts where Condition 3.9 (<i>Determinations and Reconciliation</i>) applies) received by the Issuer during the immediately preceding Collection Period, including Principal Receipts under limb (c) of the definition thereof received by the Issuer on such Interest Payment Date (and which shall include any amounts received by the Issuer to enable it to redeem the Notes in full on an Interest Payment Date on or prior to the Final Maturity Date in accordance with Condition 5.3 (<i>Optional Redemption of the Notes in full</i>) and which are attributable to principal);</li><li>(b) the amounts (if any) to be (i) credited to the Principal Deficiency Ledger pursuant to items (g)(i) and (h), (ii) applied by way of Required Redemption Amount pursuant to item (g)(ii), or (iii) applied by way of Principal Reimbursement Due pursuant to item (i), in each case of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date;</li><li>(c) (in respect of the first Interest Payment Date only) all sums of the type referred to in paragraph (a) of the definition of 'Principal Receipts' received by the Seller in respect of the loans that comprised the Actual Provisional Portfolio but do not comprise the Initial Portfolio credited to the Seller Collection Accounts from (and excluding) the Cut-off Date to (but excluding) the Issue Date;</li><li>(d) any amount applied as Available Principal Receipts in accordance with Condition 3.9(c)(i) (<i>Determinations and Reconciliation</i>),</li></ul> <p>less</p> <ul style="list-style-type: none"><li>(e) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period which are to be applied to cover Income Deficits on such Interest Payment Date; and</li><li>(f) an amount to be applied as Available Revenue Receipts in accordance with Condition 3.9(c)(ii) (<i>Determinations and Reconciliation</i>) on the relevant Interest Payment Date.</li></ul> <p>The Issuer shall pay or provide for amounts due under the Pre-Acceleration Revenue Priority of Payments before paying amounts due under the Pre-Acceleration Principal Priority of Payments.</p> <p><b>"Required Redemption Amount"</b> means, on any Interest Payment Date:</p> <ul style="list-style-type: none"><li>(a) prior to the Step-Up Date, zero; and</li></ul>
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	<p>(b) from and including the Step-Up Date, an amount equal to the lesser of:</p> <ul style="list-style-type: none"><li>(i) the aggregate Principal Amount Outstanding of the Class A Notes on the relevant Interest Payment Date, after taking account of any other Available Principal Receipts to be applied towards repayment of Principal Amounts Outstanding in respect of the Class A Notes on the relevant Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments; and</li><li>(ii) the remaining Available Revenue Receipts, after taking account of any amounts which are to be applied to cover items (a) to (g)(i) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on the relevant Interest Payment Date.</li></ul>
<p><b>General Credit Structure:</b></p>	<p>The general credit structure of the transaction includes, broadly, the following elements:</p> <ul style="list-style-type: none"><li>• (in the case of the Class A Notes only) availability of principal receipts to make up for any shortfall in available revenue in meeting payments of interest under the Class A Notes and items senior thereto under the Pre-Acceleration Revenue Priority of Payments (investors should see the section of this Prospectus entitled "<i>Credit Structure — Credit Support for the Notes provided by Available Revenue Receipts and Credit Structure — Income Deficiency</i>");</li><li>• availability of revenue receipts to cure any entries in the Class A Principal Deficiency Sub Ledger and Class B Principal Deficiency Sub Ledger;</li><li>• (in the case of the Class A Notes only) the "<b>General Reserve Fund</b>" (investors should see the section of this Prospectus entitled "<i>Credit Structure — General Reserve Fund</i>");</li><li>• (in the case of the Class A Notes only) a sub-ledger of the General Reserve Fund, being the "<b>Liquidity Reserve Fund</b>" (investors should see the section of this Prospectus entitled "<i>Credit Structure — Liquidity Reserve Fund</i>");</li><li>• (in the case of the Class A Notes only) subordination of the Class B Notes;</li><li>• a sub-ledger on the General Reserve Fund, being the "<b>Transition Reserve Fund</b>" as a loan administration transition cost reserve; and</li><li>• excess spread (but in the case of the Class B Notes, only prior to the Step-Up Date).</li></ul>

	<p>See the section entitled "<i>Credit Structure</i>" for further details.</p>
<p><b>Income Deficiency:</b></p>	<p>On each Calculation Date, the Cash Manager, pursuant to the terms of the Cash Management Agreement, will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of the items described in (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments. To the extent that Available Revenue Receipts are insufficient for this purpose (the amount of any deficit being an "<b>Income Deficit</b>"), the Cash Manager on behalf of the Issuer shall, on the relevant Interest Payment Date, instruct payment or provide for such Income Deficit subject to the conditions set out in the section of this Prospectus entitled "<i>Cashflows — Application of Principal Receipts, General Reserve Fund and the Liquidity Reserve Fund amounts to cover shortfalls</i>" by applying first the balance standing to the credit of the General Reserve Fund (excluding the Transition Reserve Fund and the Liquidity Reserve Fund), second, Principal Receipts and the Cash Manager shall make a record of such reallocated principal on a separate ledger so that it may be reimbursed as Principal Reimbursement Due from Available Revenue Receipts on future Interest Payment Dates under item (i) of the Pre-Acceleration Revenue Priority of Payments and, third, following the Default Trigger being reached, the balance standing to the credit of the Liquidity Reserve Fund.</p> <p>For the purposes of this Prospectus, "<b>Calculation Date</b>" means (a) the 15th calendar day of the month following a Collection Period End Date (or, if such day is not a Business Day, the next following Business Day), or (b) in respect of a Collection Period End Date relating to a Determination Period (as defined in Condition 3.9 (<i>Determinations and Reconciliation</i>)), the date which is three Business Days prior to the Interest Payment Date immediately following such Determination Period.</p>
<p><b>Principal Deficiency Ledger:</b></p>	<p>A Principal Deficiency Ledger, comprising two sub ledgers, known as the "<b>Class A Principal Deficiency Sub Ledger</b>" (relating to the Class A Notes) and the "<b>Class B Principal Deficiency Sub Ledger</b>" (relating to the Class B Notes) (each a "<b>Principal Deficiency Sub Ledger</b>" and together the "<b>Principal Deficiency Ledger</b>"), will be established on the Issue Date in order to record any Losses realised in respect of Loans in the Portfolio.</p> <p>When used in this Prospectus, "<b>Losses</b>" means all realised losses on the Loans.</p> <p>Losses realised in respect of Loans in the Portfolio, will be recorded by the Cash Manager first on the Class B Principal Deficiency Sub Ledger until the balance of the Principal Deficiency Sub Ledger is equal to the Principal Amount Outstanding of the Class B Notes and then on the Class A Principal Deficiency Sub Ledger until the balance of the Class A Principal Deficiency Sub Ledger is equal to the Principal Amount Outstanding of the Class A Notes.</p> <p>On each Interest Payment Date, Available Revenue Receipts</p>

	<p>shall, after making the payments or provisions required to be met in priority to item (g) of the Pre-Acceleration Revenue Priority of Payments, be applied in an amount necessary to reduce to nil the balance on the Class A Principal Deficiency Sub Ledger. Then, once the balance on the Class A Principal Deficiency Sub Ledger is reduced to nil and after payment of any Required Redemption Amount (and prior to the payment of any interest due on the Class B Notes in accordance with the Pre-Acceleration Revenue Priority of Payments), Available Revenue Receipts will be applied to reduce to nil the balance of the Class B Principal Deficiency Sub Ledger.</p>
<p><b>Bank Accounts and Cash Management:</b></p>	<p>The Administrator will ensure that all payments due under the Loans are made by Borrowers into the relevant Seller Collection Accounts.</p> <p>The Administrator is required to transfer amounts standing to the credit of the Seller Collection Accounts in respect of Loans in the Portfolio on the second Business Day after such amounts are received. Amounts are transferred to the Transaction Account in the name of the Issuer.</p> <p>At the close of business on each Business Day amounts will be transferred by the Cash Manager from the Transaction Account to the GIC Account.</p> <p>On or prior to each Interest Payment Date, the Cash Manager will transfer amounts standing to the credit of the GIC Account constituting Available Revenue Receipts or Available Principal Receipts into the Transaction Account and apply such amounts in accordance with the Priorities of Payment.</p> <p>Following termination of the appointment of the Administrator, payments that were required to be made into the Seller Collection Accounts are required to be transferred to the Issuer Collection Accounts, as described in the section of this Prospectus entitled "<i>Summary of Key Transaction Documents – Administration Payment – Removal or Resignation of the Administrator</i>".</p>



**G. TRIGGER TABLES**

**Rating Triggers Table**

<b>Transaction Party</b>	<b>Required Ratings</b>	<b>Contractual requirements on occurrence of breach of ratings trigger include the following:</b>
<b>Account Bank</b>	<p>(a) Short term unsecured unsubordinated and unguaranteed debt obligations rated at least F1 by Fitch and long term unsecured, unsubordinated and unguaranteed debt obligations rated at least A by Fitch; and</p> <p>(b) short term unsecured unsubordinated and unguaranteed debt obligations rated at least A-1 by S&amp;P and long term unsecured, unsubordinated and unguaranteed debt obligations rated at least A by S&amp;P, provided that if the relevant entity does not have a short term rating, the long term unsecured, unsubordinated and unguaranteed debt obligations of that entity are rated at least A+ by S&amp;P,</p> <p>or such other short term or long term rating which is otherwise consistent with the published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes.</p>	<p>The consequences of the breach are that the Issuer will be required (within 30 calendar days) to arrange for the transfer (at its own cost) of the Bank Accounts to, or procure a guarantee of the Account Bank's obligations in respect of the Bank Accounts from, an appropriately rated bank or financial institution pursuant to and in accordance with the provisions of the Account Bank Agreement.</p>
GIC Provider	<p>(a) Short term unsecured unsubordinated and unguaranteed debt obligations rated at least F1 by Fitch and long term unsecured, unsubordinated and unguaranteed debt obligations rated at</p>	<p>The consequences of the breach are that the GIC will terminate.</p>

	<p>least A by Fitch; and</p> <p>(b) short term unsecured unsubordinated and unguaranteed debt obligations rated at least A-1 by S&amp;P and long term unsecured, unsubordinated and unguaranteed debt obligations rated at least A by S&amp;P, provided that if the relevant entity does not have a short term rating, the long term unsecured, unsubordinated and unguaranteed debt obligations of that entity are rated at least A+ by S&amp;P,</p> <p>or such other short term or long term rating which is otherwise consistent with the published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes.</p>	
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**Non Rating Triggers Table**

<b><u>Nature of Trigger</u></b>	<b><u>Description of Trigger</u></b>	<b>Contractual requirements on occurrence of breach of non ratings trigger including the following:</b>
<b>Perfection Event</b>	<p>(a) A Seller Insolvency Event; or</p> <p>(b) the Seller being required to perfect the Issuer's legal title to the Loans and the Related Security by law, by an order of a court of competent jurisdiction, or by a regulatory authority to which the Seller is subject.</p> <p>Prior to the completion of the transfer of legal title to the relevant Loans and Related Security, the Issuer will hold only</p>	The Issuer will be permitted to require the perfection of the transfers of title to the Loans to it by making (or instructing the Administrator or any replacement for the Administrator to make) the necessary notifications to the Borrowers and other perfection requirements in each relevant jurisdiction.

	<p>the equitable title or, in relation to any Scottish loans and their Related Security, beneficial title to those Loans pursuant to the Scottish Declaration of Trust and will therefore be subject to certain risks as set out in the risk factor entitled "<i>Seller to Initially Retain Legal Title to the Loans</i>" in the Risk Factors section.</p>	
<p><b>Administrator Termination Event</b></p>	<p>(a) Default is made by the Administrator in the payment or transfer of any amount due under the Administration Agreement or any other Transaction Document to which it is a party and such default continues unremedied for a period of 20 Business Days after the earlier of the Administrator becoming aware of such default and receipt by the Administrator of written notice from the Issuer or (following enforcement of the Security) the Security Trustee, as the case may be, requiring that default to be remedied;</p> <p>(b) default is made by the Administrator in the performance or observance of any of its other covenants or obligations under the Administration Agreement or any other Transaction Document to which it is a party, which in the opinion of the Security Trustee is materially prejudicial to the interests of the Secured Creditors, provided that in the event of any conflict between the interests of the Noteholders and the other Secured Creditors the Security Trustee will have regard to the interests of the Noteholders only, and (only if, in the opinion of the Security Trustee, the default is capable of remedy) such default</p>	<p>Following the occurrence of an Administrator Termination Event the Issuer or (following the enforcement of the Security) the Security Trustee may terminate the appointment of the Administrator under the Administration Agreement. The Issuer will be required to take such steps as are required under the Back-up Administration Agreement to require the Back-up Administrator to administer the Loans following the resignation or termination of the appointment of the Administrator.</p>

	<p>continues unremedied for a period of 20 Business Days after the earlier of the Administrator becoming aware of such default and receipt by the Administrator of written notice from the Issuer or (following enforcement of the Security) the Security Trustee, as the case may be, requiring that default to be remedied provided however that where the relevant default occurs as a result of a default by any person to whom the Administrator has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute an Administrator Termination Event if, within such period of 20 Business Days, the Administrator terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following enforcement of the Security) the Security Trustee may in its absolute discretion specify to remedy such default or to indemnify the Issuer and/or the Security Trustee against the consequences of such default; or</p> <p>(c) the occurrence of an Insolvency Event in relation to the Administrator.</p>	
<p><b>Cash Manager Termination Event</b></p>	<p>(a) Default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default (where capable of remedy) continues unremedied for a period of five Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or</p>	<p>The Issuer or (following the enforcement of the Security) the Security Trustee may, at once or at any time thereafter while such default continues by notice in writing to the Cash Manager terminate its appointment as Cash Manager with effect from a date (not earlier than the date of the notice) specified in the notice.</p>



	<p>(following enforcement of the Security) the Security Trustee, as the case may be, requiring the same to be remedied; or</p> <p>(b) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the opinion of the Security Trustee is materially prejudicial to the interests of the Secured Creditors, provided that in the event of any conflict between the interests of the Noteholders and the other Secured Creditors the Security Trustee shall have regard to the Noteholders only, and such default, only where (in the opinion of the Security Trustee) capable of remedy, continues unremedied for a period of 20 Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following enforcement of the Security) the Security Trustee, as the case may be, requiring the same to be remedied; or</p> <p>(c) an Insolvency Event with respect to the Cash Manager occurs.</p>	
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**H. FEES**

Type of fee	Amount of Fee	Priority in Cashflow	Frequency
Administration Fee	For so long as AIB (or any member of the AIB Group) is the Administrator, 0.15 per cent. per annum (inclusive of VAT) on the aggregate Outstanding Principal Balance of the Loans in the Portfolio as at the opening of business on the first day of the Collection Period just ended.	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Back-up Administration Fee	<p>Before Invocation, an amount equal to the greater of (i) 0.02 per cent per annum of the aggregate Outstanding Principal Balance of all Loans comprising the Portfolio as at the opening of business on the first day of the Collection Period just ended and (ii) £25,000.</p> <p>Upon Invocation, the Administrator, failing which the Issuer, shall pay to the Back-up Administrator for its Back-up Services hereunder, a one-off invocation fee (the "<b>Invocation Fee</b>") of £50,000. On the Issue Date, the Issuer shall deposit an amount equal to such Invocation Fee into the Transition Reserve Fund in accordance with the Transaction Documents.</p> <p>Following Invocation, the following amounts:</p> <p>(i) an amount equal to 0.135 per cent per annum of the aggregate</p>	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date

	<p>Outstanding Principal Balance of all Loans comprising the Portfolio as at the opening of business on the first day of the Collection Period just ended;</p> <p>(ii) £50 per month, per Loan in respect of which the Back-up Administrator is actively managing arrears; and</p> <p>(iii) £120 per Loan redemption as a redemption processing fee.</p> <p>The fees of the Back-up Administrator are exclusive of VAT.</p>		
Other fees and expenses of the Issuer	Estimated at £100,000 each year (exclusive of VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes	Estimated at £6,000 (exclusive of VAT)		
VAT is currently chargeable at 20 per cent.			

## ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE

AIB will retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of Article 122a of the CRD. As at the Issue Date, such interest will be comprised of an interest in the first loss tranche as required by Article 122a(1)(d). Such retention requirement will be satisfied by the Seller's holdings of the Class B Notes and by its retention of its interest in the Deferred Consideration. Any change to the manner in which such material net economic interest is held will be notified to the Note Trustee and the Noteholders.

For a description of the information to be made available after the Issue Date by AIB (in its capacity as the Administrator) or Deutsche Bank AG, London Branch (in its capacity as the Cash Manager) on the Issuer's behalf, please see the summary in relation to the Investor Reports set out in "*Summary of the Key Transaction Documents – Cash Management Agreement*". Further information in respect of individual loan level data may be obtained on the following website: <https://www.structuredfn.com/portal/company/?sfn/deal/Tenterden%20Funding%20Plc>. The website and the contents thereof do not form part of this Prospectus.

AIB has provided a corresponding undertaking with respect to the interest to be retained by AIB to the Joint Lead Managers in the Subscription Agreement.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 122a and none of the Issuer, AIB, the AIB Parent, the Note Trustee and Security Trustee, Deutsche Bank AG, London Branch (in its capacity as the Cash Manager), the Arranger or the Joint Lead Managers makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition each prospective Noteholder should ensure that they comply with the implementing provisions in respect of Article 122a in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

For further information please refer to the Risk Factor entitled "*Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*"

## **RISK FACTORS**

*The following is a summary of the principal risks associated with an investment in the Notes. These risk factors are material to an investment in the Notes and in the Issuer. Prospective Noteholders should carefully read and consider all the information contained in this Prospectus, including the risk factors set out in this section, prior to making any investment decision.*

### **Liabilities Under the Notes**

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of AIB, AIB Parent, the Arranger, the Joint Lead Managers, the Note Trustee, the Security Trustee, any company in the same group of companies as such entities, any other party to the Transaction Documents or by any person other than the Issuer.

### **Limited Source of Funds**

The Issuer is a special purpose vehicle, with no business other than its participation in the transaction described in this Prospectus. Accordingly, it has limited assets from which to generate the revenue necessary to make repayments of principal and payments of interest in respect of the Notes.

The ability of the Issuer to meet its obligations to repay principal and pay interest on the Notes, and its operating and administrative expenses, will be dependent primarily on receipts from the Loans in the Portfolio, amounts standing to the credit of the General Reserve Fund and Liquidity Reserve Fund and interest earned on the Bank Accounts. Should receipts from the Loans be less than expected, interest rates fall or the Issuer's transaction counterparties fail to perform their obligations as described herein, the Issuer may not have sufficient funds to meet its obligations under the Notes. The recourse of Noteholders to the Security following service of a Note Acceleration Notice is described below (see further "*English law and Northern Irish law security and insolvency considerations*").

The Issuer will have no recourse to the Seller, save in the limited circumstances provided in the Mortgage Sale Agreement.

### **Considerations Relating to Yield, Prepayments, Mandatory Redemptions and Optional Redemptions**

The yield to maturity of the Notes of each class will depend on, among other things, the amount and timing of repayment of principal on the Loans. Prepayments on the Loans may result from re-financings, and sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages. In addition, repurchases of Loans required to be made by the Seller under the Mortgage Sale Agreement may, to the extent that any such repurchase is not made concurrently with a sale of an equivalent Substitute Loan, have the same effect as a prepayment of such Loans. The yield to maturity of the Notes of either class may therefore be adversely affected by a higher or lower than anticipated rate of prepayments on, or repurchases of, the Loans.

The rate of prepayment of Loans will be influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market rates decrease, borrowers are generally more likely to prepay their mortgage loans. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Payments and prepayments of principal on the Loans will be applied to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in

accordance with the Pre-Acceleration Principal Priority of Payments. On each Interest Payment Date from and including the Step-Up Date, an amount equal to the lesser of (a) the aggregate Principal Amount Outstanding of the Class A Notes on the relevant Interest Payment Date, after taking account of any other Available Principal Receipts to be applied towards repayment of Principal Amounts Outstanding in respect of the Class A Notes on the relevant Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments, and (b) the remaining Available Revenue Receipts, after taking account of any amounts which are to be applied to cover items (a) to (g)(i) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on the relevant Interest Payment Date, will be applied as Available Principal Receipts to reduce the Principal Amount Outstanding of the Class A Notes in accordance with the Pre-Acceleration Principal Priority of Payments.

At any time on or after (a) the Interest Payment Date from and including the Step-Up Date or (b) the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of Class A Notes on the Issue Date, the Issuer may, subject to certain conditions, redeem all of the Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer being required to make a deduction or withholding for or on account of tax. This may adversely affect the yield to maturity on the Notes.

There is no guarantee that the Issuer will have sufficient funds to redeem the Notes in full.

### **Commingling Risk**

Investors should note that the Seller is permitted to retain all collections under the Loans in the Seller Collection Accounts, and is only required to transfer them to the Transaction Account on the second Business Day following receipt. Investors should further note that this will be the case notwithstanding the occurrence of a Perfection Event (so long as it is not also an Administrator Termination Event).

There is therefore a risk for the limited time that collections are standing to the credit of the Seller Collection Accounts they may become trapped as part of the assets of the Seller which fall to be administered as part of the Seller's insolvency proceedings, should the Seller become insolvent. If this is the case, then the Issuer may be unable to reclaim those collections so trapped or may experience delays in so doing, which could have an adverse effect on its ability to meet the required payments of interest and repayment of principal on the Notes.

Investors should note that this commingling risk is partly mitigated by the fact that, if the appointment of the Administrator is terminated upon the occurrence of an Administrator Termination Event, the Administrator must (a) deliver the title information documents and Borrower files relating to the relevant Loans and Related Security to the Back-up Administrator, or otherwise at the direction of the Issuer and (b) by no later than the third Business Day following the termination of such appointment procure that payments that were to be made into the Seller Collection Credit Accounts in respect of the Loans (together with an amount at least equal to the balances which derive from or are related to the Loans and are for the account of the Issuer, less an amount equal to the debit balance deriving from or related to the Loans on the Seller Collection Debit Account) are transferred to the Issuer Collection Accounts. In addition, the Administrator will undertake to deliver (or take such steps as are necessary for the Back-up Administrator to be able to deliver), as soon as reasonably possible following the transfer of payments that were to be made into the Seller Collection Credit Accounts in respect of the Loans and an amount equal to their balances as aforesaid, to the Bankers Automated Clearing System and/or the Account Bank, as required, such instructions as may be necessary from time to time for the debit of the accounts of Borrowers subject to direct debit mandates to the Issuer Collection Accounts, and to notify (or take such steps as are necessary for the Back-up Administrator to be able to notify), as soon as reasonably possible after the termination of its appointment, those Borrowers who do not make payments by way of direct debit of the requirement to make all future payments into the Issuer Collection Accounts, and to transfer (or take such steps as are necessary for the Back-up Administrator to be able to transfer) to the Issuer Collection Accounts an amount equal to any

collections received by the Seller in respect of the Loans from Borrowers who fail to comply with directions to make payments to the Issuer Collection Accounts.

### **Risks Relating to Buy-To-Let Loans**

Certain of the Loans in the Portfolio are 'buy-to-let' loans, where the relevant Mortgaged Properties are not owner-occupied and may be let by the relevant Borrower to tenants. The Borrower's ability to service payment obligations in respect of such a Loan is likely to depend on the Borrower's ability to lease the relevant Mortgaged Property on appropriate terms. However, there can be no guarantee that each such Mortgaged Property will be the subject of an existing tenancy when the relevant Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Loan, and/or that the rental income achievable from such tenancy will be sufficient (or that there will not be any default of payment in rent) to provide the Borrower with sufficient income to meet the Borrower's interest obligations in respect of the Loan. This apparent dependency on leasing income may increase the likelihood during difficult market conditions that the rate of delinquencies and losses on buy-to let mortgages will be higher than for owner-occupied mortgages.

Upon enforcement of a Mortgage in respect of a Mortgaged Property which is the subject of an existing tenancy, the Administrator may not be able to obtain vacant possession of the Mortgaged Property, in which case the Administrator will only be able to sell the Mortgaged Property as an investment property with one or more sitting tenants. This may affect the amount which the Administrator can realise upon enforcement of the Mortgage and a sale of the Mortgaged Property.

However, enforcement procedures in relation to such Mortgages (excluding any Scottish Mortgage) include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the Mortgaged Property and apply them accordingly in payment of any interest and arrears accruing under the Loan. Under Scots law, a receiver cannot be appointed under a land charge, and the only enforcement which may be carried out under a standard security (the Scottish land charge) is a full enforcement of the charge.

### **Continuing decline in house prices may adversely affect the performance and market value of your Notes**

The value of the Related Security in respect of the Loans may be affected by, among other things, a decline in the residential property values in the United Kingdom. If the residential property market in the United Kingdom should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Related Security being significantly reduced and, in the event that the Related Security is required to be enforced, may result in an adverse effect on payments on the Notes.

The Issuer cannot guarantee that the value of a property will remain at the same level as on the date of origination of the related Loan. Some of the Loans in the Actual Provisional Portfolio comprise further advances made prior to the Cut-Off Date. In certain circumstances (including but not limited to circumstances where the valuation on file was recently attained or where there was a low loan to value existing advance), when making a relevant further advance, the Seller may have made such further advance based on the most recent standard, or drive by, valuation on file rather than a further inspection and so there can be no assurance that any valuation was updated over time, even in respect of Loans in the Actual Provisional Portfolio that comprise further advances.

The recent downturn in the United Kingdom economy has had a negative effect on the housing market. The fall in property prices resulting from the deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem the outstanding loan. If the value of the Security backing the Loans is reduced this may ultimately result in losses to Noteholders if the Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes.

Borrowers may have insufficient equity to refinance their Loans with lenders other than the Seller and may have insufficient resources to pay amounts in respect of their Loans as and when they fall

due. This could lead to higher delinquency rates and losses which in turn may adversely affect payments on the Notes.

### **Characteristics of the Portfolio**

The information in the section headed "*Characteristics of the Portfolio*" has been extracted from the systems of the Seller as at the Cut-Off Date. The Actual Provisional Portfolio comprises 3,664 Loans with an aggregate Outstanding Principal Balance of £438,537,972. The characteristics of the Portfolio as at the Issue Date will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments and redemptions of loans prior to the Issue Date. Neither the Seller nor the Administrator has provided any assurance that there will be no material change in the characteristics of the Portfolio between the Cut-Off Date and the Issue Date.

### **Geographic Concentration Risks**

Loans in the Portfolio may also be subject to geographic concentration risks within certain regions of the United Kingdom. To the extent that specific geographic regions within the United Kingdom have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in the United Kingdom, a concentration of the Loans in such a region may be expected to exacerbate the risks relating to the Loans described in this section. Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of the Borrowers in that region or the region that relies most heavily on that industry. Any natural disasters in a particular region may reduce the value of affected Mortgaged Properties. This may result in a loss being incurred upon sale of the Mortgaged Property. These circumstances could affect receipts on the Loans and ultimately result in losses on the Notes. For an overview of the geographical distribution of the Loans on the Cut-Off Date in respect of the Portfolio only, investors should see the section of this Prospectus entitled "*Characteristics of the Portfolio — Geographical distribution of Mortgaged Properties*". Investors should also note that this overview of the geographical distribution of the Loans refers only to the Portfolio as at the Cut-Off Date, and that the data is accordingly subject to change during the life of the transaction as a result of repurchases and/or substitutions of Loans from the Portfolio from time to time by the Seller and any prepayments or redemptions of Loans from time to time.

### **Limited Secondary Market for Loans**

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default (as defined in the Conditions) in relation to the Notes while any of the Loans are still outstanding, may depend upon whether the Loans can be realised to obtain an amount sufficient to redeem the Notes. There is not, at present, an active and liquid secondary market for mortgage loans of this type in the United Kingdom. There can be no assurance that a secondary market for the Loans will exist or, if a secondary market does develop, that it will provide sufficient liquidity of investment for the Loans to be realised or that if it does develop it will continue for the life of the Notes. The Issuer, and following the occurrence of an Event of Default, the Security Trustee, may not, therefore, be able to sell the Mortgages for an amount sufficient to discharge amounts due to the Secured Creditors (including the Noteholders) in full should they be required to do so.

### **Subordination of Class B Notes**

The Class B Notes are subordinated in right of payment of interest and principal to the Class A Notes. There can be, however, no assurance that this subordination will protect the holders of Class A Notes from all risk of loss.

The terms on which the security for the Notes will be held will provide that, following service of a Note Acceleration Notice on the Issuer, payments will rank in the order of priority set out as described in the Post-Acceleration Priority of Payments. The Post-Acceleration Priority of Payments provide that no amounts will be paid to the Class B Noteholders until all amounts owing



to the Class A Noteholders have been paid in full. There is no assurance that these subordination provisions will protect the holders of Class A Notes from all risk of loss.

### **Deferral of Interest Payments**

If, on any Interest Payment Date, whilst any of the Class A Notes remain outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class B Notes after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer will be entitled under Condition 14 (*Subordination By Deferral*) to defer payment (to the extent of the insufficiency) until the following Interest Payment Date, or such earlier date as interest in respect of the Class B Notes becomes immediately due and repayable in accordance with the Conditions. This deferral will not constitute an Event of Default. Class B Noteholders should note these deferral provisions.

### **Income and Principal Deficiency**

If, on any Interest Payment Date as a result of shortfalls in Available Revenue Receipts relative to interest due on the Class A Notes and amounts ranking in priority thereto under the Pre-Acceleration Revenue Priority of Payments, there is an Income Deficit, then subject to certain conditions (which are described in the section of this Prospectus entitled "*Cashflows — Application of Principal Receipts to cover shortfalls*"), the Issuer will apply first amounts standing to the credit of the General Reserve Fund (excluding the Transition Reserve Fund and Liquidity Reserve Fund) secondly, Principal Receipts and, thirdly, following the Default Trigger being reached, the Liquidity Reserve Fund to make up the shortfall.

Application of Principal Receipts to meet Income Deficits will be recorded by the Cash Manager on a ledger established for such purpose and will be recouped as Principal Reimbursement Due from Available Revenue Receipts (if available after meeting prior ranking obligations as set out under the Pre-Acceleration Revenue Priority of Payments) in accordance with item (i) of the Pre-Acceleration Revenue Priority of Payments.

There can be no assurance that, following the identification of an Income Deficit, the Issuer will have sufficient funds standing to the credit of the General Reserve Fund or Liquidity Reserve Fund or sufficient Principal Receipts to make up the shortfall, in which case Noteholders may not receive in full the amount of interest owing to them (resulting, in the case of the Class B Noteholders, in a deferral of the interest amount in accordance with the provisions of Condition 14 (*Subordination by Deferral*) of the Notes). Likewise, there can be no assurance that there will, during the life of the Notes, be sufficient Available Revenue Receipts to make good any Principal Reimbursement Due, which could mean that Noteholders are not ultimately repaid all amounts of principal owed to them in respect of the Notes.

### **Impact of deductions from Bank Accounts**

In certain circumstances, amounts may be deducted from the Bank Accounts outside of the then-applicable Priority of Payments. Such amounts will generally comprise Third Party Amounts but may also represent the costs, charges, liabilities and expenses of the Account Bank then due. If any such deductions are made during the period between a Calculation Date and the preparation of the Investor Report relating to that Calculation Date and the making of any payments in respect of the Notes on the immediately succeeding Interest Payment Date, the balance of the affected Bank Accounts as taken into account for the purposes of the relevant Investor Report may not accurately reflect the actual balance of such Bank Accounts following such deductions. Accordingly, notwithstanding the contents of such Investor Report, Noteholders may in fact receive less than expected on the relevant Interest Payment Date and, in some circumstances, amounts that may otherwise be available in the General Reserve Fund, the Liquidity Reserve Fund or by way of Available Principal Receipts to meet any shortfall may not be applied in meeting such shortfall on the relevant Interest Payment Date.

**Lack of liquidity in the secondary market may adversely affect the market value of the Notes**

No assurance is provided that there is an active and liquid secondary market for the Notes, and no assurance is provided that a secondary market for the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment for the life of the Notes. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their Final Maturity Date or alternatively such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

As at the date of this Prospectus the secondary market for mortgage-backed securities is experiencing disruptions resulting from reduced investor demand for mortgage-backed securities. As a result, the secondary market for mortgage-backed securities may experience limited liquidity.

Limited liquidity in the secondary market for mortgage-backed securities may have a severe adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. Consequently, investors may not be able to sell their Notes readily. The market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to investors.

Whilst central bank schemes such as the Bank of England's Discount Window Facility which was launched in October 2008 and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, recent restrictions in respect of the relevant eligibility criteria for eligible collateral which apply and will apply in the future under such facilities are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities.

**Increases in prevailing market interest rates may adversely affect the performance and market value of the Notes**

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

Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates and losses. Should this affect the Loans in the Portfolio, then the Issuer may experience difficulties in meeting its obligations under the Notes.

**The Notes may not be a suitable investment for all investors**

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes, which are complex financial instruments, unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### **Risks relating to the Banking Act 2009**

The Banking Act 2009 (the "**Banking Act**"), which came into effect on 21 February 2009, includes (amongst other things) provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of a UK bank or building society. In particular, in respect of UK banks, such tools include share and property transfer powers (including powers for partial property transfers), certain ancillary powers (including powers to modify certain contractual arrangements in certain circumstances) and two new special insolvency procedures which may be commenced by UK authorities (i.e. bank insolvency and bank administration).

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial systems of the United Kingdom. The Act includes provisions related to compensation in respect of transfer instruments and orders made under it. In general, there is considerable uncertainty about the scope of the powers afforded to UK authorities under the Banking Act and how the UK authorities may choose to exercise them.

If an instrument or order were to be made under the Banking Act in respect of AIB, such instrument or order may (amongst other things) affect the ability of AIB to satisfy its obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified (such as a Scottish declaration of trust) and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination events). As a result, the making of an instrument or order in respect of AIB may affect the ability of the Issuer to meet its obligations in respect of the Notes. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

As at the date of this Prospectus, none of the FSA, HM Treasury or the Bank of England have made an instrument or order under the Banking Act 2009 in respect of the relevant entities referred to above and there has been no indication that the FSA, HM Treasury or the Bank of England will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made.

### **Legal considerations may restrict certain investments**

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor of the Notes should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions

apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

### **Ratings of the Class A Notes**

The ratings assigned to the Class A Notes by each Rating Agency are based, amongst other things, on the terms of the Transaction Documents and other relevant structural features of this transaction, including (but not limited to) the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Account Bank and a credit assessment of the Loans, and reflect only the views of the Rating Agencies. The Class B Notes will not be rated by the Rating Agencies.

The expected ratings of the Class A Notes assigned on the Issue Date are set out in "*Ratings*". 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 if, in its judgment, circumstances (including without limitation, a reduction in the credit rating of the Account Bank) in the future so warrant. See also "*Change of Counterparties*" below.

There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the judgment of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of the Class A Notes.

Agencies other than the Rating Agencies could seek to rate the Class A Notes and, if such unsolicited ratings are lower than the comparable ratings assigned to the Class A Notes by the Rating Agencies, those shadow ratings could have an adverse effect on the value of the Class A Notes. For the avoidance of doubt and unless the context otherwise requires, any references to ratings or rating in this Prospectus are to ratings assigned by the specified Rating Agency only.

### **Certain material interests**

The Arranger and its respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for AIB. Certain parties to the transaction may perform multiple roles, including AIB, who will act as Administrator, Seller Collection Account Bank and Subordinated Loan Provider.

Nothing in the Transaction Documents shall prevent any of the parties to the Transaction Documents from rendering services similar to those provided for in the Transaction Documents to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents.

Accordingly, conflicts of interest may exist or may arise as a result of parties to this transaction:

- (a) having previously engaged or in the future engaging in transactions with other parties to the transaction;
- (b) having multiple roles in this transaction; and/or
- (c) carrying out other transactions for third parties.

### **Conflict Between Noteholders and other Secured Creditors**

The Deed of Charge contains provisions requiring the Security Trustee to have regard to the interests of all the Secured Creditors as regards the exercise and performance of all its power, rights, trusts, authorities, duties and discretions in respect of the Charged Property and the Transaction Documents. Notwithstanding such general requirement, in the event of any conflict between the interests of the Noteholders and the other Secured Creditors, the Security Trustee is

required to have regard to the interests of the Noteholders only and to take instructions from the Note Trustee in this regard.

### **Conflict Between Classes of Noteholders**

The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders and the Class B Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise). If, in the Note Trustee's opinion, however, there is or may be a conflict between the interests of the Class A Noteholders (for so long as there are any Class A Notes outstanding) on one hand and the interests of the Class B Noteholders on the other hand, then the Note Trustee is required to have regard only to the interests of the Class A Noteholders, and the Class B Noteholders should note this fact. In addition, the Trust Deed contains provisions limiting the powers of the Class B Noteholders to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Noteholders. There is no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders, save in those circumstances (such as a Basic Terms Modification or those referred to in Condition 10.2 (*Separate and Combined Meetings*)) where consent of both classes of Noteholders is required.

### **Meetings of Noteholders, Modification and Waivers**

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

The Conditions and the Deed of Charge also provide that the Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders, to certain modifications of the Conditions and the Transaction Documents, or the waiver or authorisation of certain breaches or proposed breaches of, the Conditions or any of the Transaction Documents.

In particular, investors should note that the rating criteria used by the Rating Agencies to assign a rating to the Class A Notes may be amended by the Rating Agencies from time to time. Following amendments to the relevant rating criteria by a Rating Agency, the Administrator may request the Issuer and the Note Trustee to agree (and the Note Trustee to direct the Security Trustee to agree) to amend any relevant Transaction Documents and/or Conditions or agree to a waiver in respect of any Transaction Documents and/or Conditions in order to implement the new rating criteria to maintain the ratings of the Class A Notes. The Issuer and the Note Trustee may also be requested to agree to amend (and in the case of the Note Trustee, to direct the Security Trustee to agree to amend) the Transaction Documents and/or Conditions either to effect discussions with the relevant Rating Agencies for the purposes of maintaining the ratings of the Class A Notes or to ensure that the Issuer and the Notes continue to comply with mandatory provisions of applicable law or regulation. In each case, the Note Trustee, the Issuer and the Security Trustee will be required to agree to such amendments or waivers provided that the Amendment Conditions are satisfied without the consent of the Noteholders or any other Secured Creditors, irrespective of whether such amendments may be materially prejudicial to the interests of one or more than one Class of Noteholders and irrespective of whether such amendments constitute or may constitute a Basic Terms Modification. Pursuant to the Trust Deed and the Deed of Charge, the Security Trustee and the Note Trustee, respectively, shall not have regard to the interests of the Noteholders or any other party when agreeing to make such amendments and shall not be liable to any party for losses or liabilities caused as a result of so doing. The costs and expenses of the relevant parties of entering into such amended Transaction Documents are to be paid in accordance with the relevant Priority of Payments. However, neither the Note Trustee nor the Security Trustee shall be obliged to agree to any such modifications or waivers which in the opinion of the Note Trustee and/or the Security Trustee would have the effect of (i) exposing the Note Trustee and/or the Security Trustee (as applicable) to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing its obligations or duties or decreasing

the protections of the Note Trustee and/or the Security Trustee (as applicable) in the Transaction Documents and/or the Conditions.

**The Note Trustee and the Security Trustee are not obliged to act in certain circumstances**

Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

So long as no Class A Notes remain outstanding, upon the occurrence of an Event of Default the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes then outstanding or if so directed by an Extraordinary Resolution of the Class B Noteholders shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

Each of the Note Trustee and the Security Trustee may, at any time, at their discretion and without notice, take such actions, steps or proceedings against the Issuer or any other party to any of the Transaction Documents or any other actions, steps or proceedings as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including the Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) of the other Transaction Documents to which it is a party and at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security. However, neither the Note Trustee nor the Security Trustee shall be bound to take any such actions, steps or proceedings (including, but not limited to, the giving of a Note Acceleration Notice in accordance with Condition 10 (*Events of Default*)) unless:

- (a) in the case of the Note Trustee, it shall have been directed or requested to do so by an Extraordinary Resolution of the Class A Noteholders (or the Class B Noteholders if there are no Class A Notes then outstanding) or in writing by the holders of at least 25 per cent. in Principal Amount Outstanding of the Class A Notes then outstanding (or the Class B Notes then outstanding if there are no Class A Notes then outstanding);
- (b) in the case of the Security Trustee, for so long as any Class of Notes are outstanding, it shall have been directed or requested to do so by the Note Trustee or, if no Notes remain outstanding, if so directed or requested in writing by all the other Secured Creditors; and
- (c) in all cases, it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

See further "*Terms and Conditions of the Notes – Condition 11 (Enforcement)*" below.

In addition, each of the Note Trustee and the Security Trustee benefit from indemnities given to them by the Issuer pursuant to the Transaction Documents.

**Book-Entry Interests in respect of the Notes**

The Notes will be represented by the Global Notes delivered to a Common Safekeeper for Clearstream, Luxembourg and Euroclear, and will not be held by the beneficial owners or their nominees. The Global Notes will not be registered in the names of the beneficial owners or their nominees. As a result, unless and until Notes in definitive form are issued, beneficial owners of the Notes will not be recognised by the Issuer or the Note Trustee as Noteholders, as that term is used

in the Trust Deed. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts in respect of the Notes to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests. Payments of principal and interest on, and other amounts due in respect of, the Global Notes will be made by the Principal Paying Agent to the order of the Common Safekeeper for Euroclear and Clearstream, Luxembourg against presentation of the Global Notes. Upon receipt of any payment from the Principal Paying Agent, Euroclear and Clearstream, Luxembourg, as applicable, should, in accordance with their applicable procedures promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests as shown on their records. The Issuer expects that payments by participants or indirect payments to owners of Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Security Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike Noteholders, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by or on behalf of the Issuer for consents or requests by or on behalf of the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Notes, holders of Book-Entry Interests will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the relevant provisions described herein under "*Terms and Conditions of the Notes*" below. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, the Security Trustee, any Paying Agent or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

Certain transfers of Notes or interests therein may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements.

### **Interest Rate Risk**

The Loans are subject to variable and fixed interest rates while the Issuer's liabilities under the Notes are based on Three-Month Sterling LIBOR. There is no guarantee that the interest rates on the Loans will be, or will be capable of being or continue to be, set at a level that would be sufficient for the Issuer to have sufficient revenue to meet its obligations (including in respect of the Notes). As at the Issue Date the Issuer has not entered into any hedging arrangements with a view to potentially mitigating this and there can be no assurance that it will do so during the term of the Notes.

### **Issuer Reliance on Third Parties**

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation: AIB will sell the Loans to the Issuer and make certain representations and warranties in relation to the Loans when they are sold, and will also be appointed by the Issuer to act as Administrator of the Loans in the Portfolio; the Corporate Services Provider has agreed to provide certain corporate services to the Issuer, pursuant to the Corporate Services Agreement; the Cash Manager has agreed to provide certain services pursuant to the Cash Management Agreement; the Account Bank has agreed to provide the Bank Accounts to the Issuer pursuant to the Bank Account Agreement; the GIC Provider has agreed to pay interest on monies standing to the credit of the GIC Account pursuant to the Guaranteed Investment Contract; the Principal Paying Agent and the Agent Bank have each agreed to provide services with respect to the Notes pursuant to the Agency Agreement; and the Back-up Administrator has agreed to provide administration services in the event of an Administrator Termination Event in accordance with the Back-up Administration Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, Noteholders may be adversely affected. In particular, any failure or delay in the delivery of an Administrator Report to the Cash Manager could affect the payment of principal and interest on the Notes (as to which see Condition 3.9 (*Determination and Reconciliation*)) and Noteholders acquiring or disposing of an interest in the Notes following any such delay or failure may be adversely affected by any subsequent reconciliations made under Condition 3.9 (*Determination and Reconciliation*) in respect of payments of principal and interest made on the Notes on the basis of estimations made in the absence of an Administrator Report.

### **Withholding Tax Under the Notes**

In the event that any withholding or deduction for or on account of any taxes are imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, in such circumstances, the Issuer will in accordance with Condition 5.4 (*Optional Redemption for Taxation Reasons*) of the Notes use reasonable endeavours to prevent such an imposition, and may at its option redeem all (but not some only) of the Notes then outstanding.

As of the date of this Prospectus, no withholding or deduction for or on account of UK tax will be required on interest payments to any holders of the Notes provided that the Notes carry a right to interest and are and continue to be listed on a recognised stock exchange. The Irish Stock Exchange is a recognised stock exchange for such purposes, and the Notes will be treated as listed on the Irish Stock Exchange if the Notes are listed and admitted to trading on the Irish Stock Exchange's regulated market.

### **Searches, Investigations and Warranties in Relation to the Loans**

The Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Loans and their Related Security to be sold to the Issuer on the Issue Date and any Substitute Loans and their Related Security that are sold to the Issuer thereafter. Warranties in respect of Substitute Loans will be made by the Seller as at the Collection Period End Date immediately preceding a Purchase Date (which is the Interest Payment Date upon which a sale of the relevant Substitute Loans to the Issuer is to be completed, concurrently with the repurchase of another Loan by the Seller). Warranties in respect of Product Switches are made by the Seller as at the Collection Period End Date falling at the end of the Collection Period in which the Product Switches were made.

None of the Arranger, the Joint Lead Managers, the Note Trustee, Security Trustee or the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller in respect of the Loans sold by it. The primary remedy of the Issuer against the Seller if any of the warranties made by it is materially breached or proves to be materially untrue, and such default is not remedied within 30



Business Days of receipt by the Seller of a notice from the Issuer, shall be to require the Seller to repurchase the relevant Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio, and accordingly the ability of the Issuer to make payments due on the Notes.

### **Interest only Loans**

Each Loan in the Portfolio is repayable either on a capital repayment basis, an interest only basis or a combination capital repayment/interest only basis (investors should see the section of this Prospectus entitled '*The Loans — Repayment Terms*' for further details). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Seller recommends that the Borrower ensure that some repayment mechanism such as an investment policy is put in place to help ensure that funds will be available to repay the capital at the end of the term. However, the Seller does not require proof of any such repayment mechanism and does not take security over any investment policies taken out by Borrowers. The Seller also strongly recommends that a Borrower takes out a life insurance policy in relation to the Loan, but the Seller does not have the benefit of security over such life policies.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the relevant Loan. Thus the ability of such a Borrower to repay an interest only loan at maturity frequently may depend on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, personal equity plans (PEP), individual savings accounts (ISA) or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an interest only loan and a Loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

### **Seller to Initially Retain Legal Title to the Loans**

The sale by the Seller to the Issuer of the English Loans and the Northern Ireland Loans and their Related Security will (until legal title is conveyed) take effect in equity only. The sale by the Seller to the Issuer of the Scottish Loans and their Related Security will (until legal title is conveyed) be given effect to by a Scottish Declaration of Trust by the Seller (and any sale of a Substitute Loan which is a Scottish Loan will be given effect by an additional Scottish Declaration of Trust by the Seller, as provided in the Mortgage Sale Agreement) by which the beneficial interest in such Scottish Loans and their Related Security will be transferred to the Issuer. In each case, this means that legal title to the Loans and their Related Security in the Portfolio will remain with the Seller until certain trigger events occur under the terms of the Mortgage Sale Agreement (investors should see the section of this Prospectus entitled '*Summary of the Key Transaction Documents — Mortgage Sale Agreement*', for further details). The Issuer has not and will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the English Mortgages, or to the Land Registry of Northern Ireland or the Registry of Deeds in Belfast to register or record its equitable interest in the Northern Ireland Loans or to the Registers of Scotland to register or record its beneficial interest in the Scottish Mortgages.

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security, a bona fide purchaser from the Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. If this occurred, then the issuer would not have good title to the affected Loan and its Related Security, and it could not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents.

Further, prior to the insolvency of the Seller, unless (i) notice of the assignment is given to a Borrower who is a creditor of the Seller in the context of English Loans or the Northern Ireland Loans and their Related Security (which includes those Borrowers who also hold cash deposits with the Seller) and (ii) an assignment of the Scottish Loans and their Related Security is effected by the Seller to the Issuer and notice thereof is then given to a Borrower who is a creditor of the Seller (which includes those Borrowers who also hold cash deposits with the Seller), equitable or independent set off rights may accrue in favour of the Borrower against its obligation to make payments to the Seller under its Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. Where notice of the assignment is given to the Borrower or an assignment is effected and notice thereof is given, however, some rights of set off may not arise after the date notice is given.

Until notice of the assignment is given to Borrowers or an assignment is effected and notice thereof is given the Issuer would not be able to enforce any Borrower's obligations under a Loan or Related Security itself but would have to join the Seller as a party to any legal proceedings. Borrowers will also have the right to redeem their Mortgages by repaying the relevant Loan directly to the Seller. However, the Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to it in respect of relevant Loans to the order of the Issuer.

If any of the risks described above were to occur then the realisable value of the Portfolio or any part thereof may be affected.

Once notice has been given to the Borrowers of the assignment or assignment of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller (such as set-off rights not associated with or connected to the relevant Loan) will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (which are set-off claims arising out of a transaction connected with the Loan) will not be affected by that notice and will continue to exist.

For so long as the Issuer does not have legal title, the Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the relevant Loans and their Related Security.

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

As described above, the sale by the Seller to the Issuer of the English Loans and the Northern Ireland Loans will be given effect by an assignment, with each sale of Scottish Loans being given effect by the Scottish Declaration of Trust. As a result, legal title to the Loans and their Related Security sold by the Seller to the Issuer will remain with the Seller until the occurrence of certain trigger events under the terms of the Mortgage Sale Agreement. Therefore, the rights of the Issuer may be subject to "transaction set-off," being the direct rights of the Borrowers against the Seller, including rights of set-off (or analogous rights in Scotland) which occur in relation to transactions or deposits made between the Borrowers and the Seller existing prior to notification to the Borrowers of the assignment or assignment (as appropriate) of the Mortgage Loans.

The relevant Borrower may set off any claim for damages (or exercise analogous rights in Scotland) arising from the Seller's breach of contract against the Seller's (and, as equitable assignee of or holder of the beneficial interest in the Loans and the Related Security in the Portfolio, the Issuer's) claim for payment of principal and/or interest under the relevant Loan as and when it becomes due. By way of example, set-off rights may arise if the Seller fails to make to a Borrower a further advance having agreed to do so. These set-off claims will constitute transaction set-off, as described in the immediately preceding risk factor.

The amount of any such claim against the Seller will, in many cases, be the cost to the Borrower of finding an alternative source of funds (although, in respect of a Scottish Loan, it is possible, though regarded as unlikely, that the Borrower's rights of set-off could extend to the full amount of the

additional drawing). The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses arising from the Seller's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

If the Borrower is unable to obtain an alternative loan, he or she may have a claim in respect of other indirect losses arising from the Seller's breach of contract where there are special circumstances communicated by the Borrower to the Seller at the time the Borrower entered into the Loan or which otherwise were reasonably foreseeable. A Borrower may also attempt to set off an amount greater than the amount of his or her damages claim (or exercise analogous rights in Scotland) against his or her mortgage payments. In that case, the Administrator will be entitled to take enforcement proceedings against the Borrower, although the period of non-payment by the Borrower is likely to continue until a judgment is obtained.

The exercise of set-off rights by Borrowers may adversely affect the realisable value of the Portfolio and/or the ability of the Issuer to make payments under the Notes.

The Seller will undertake in the Mortgage Sale Agreement that, if any Borrower exercises a right of set off in relation to Loans constituting part of the Portfolio either (a) as a result of any act or omission of the Seller at any time, or (b) in relation to any debt or other monies owing by the Seller to the Borrower, so that the amount of principal and/or interest owing under a Loan is reduced but no corresponding amount is received by the Issuer, it will promptly reimburse the Issuer for any such reduction. There can be no assurance that the Seller will have the financial resources to honour such undertaking.

#### **Product Switches, Further Advances and Substitute Loans**

Loans which are subject to Product Switches will remain in the Portfolio on each Interest Payment Date, provided that certain conditions are satisfied. Investors should see the section of this Prospectus entitled '*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Product Switches*' for further details.

Where the Seller is required to repurchase a Loan because the necessary conditions for a Loan subject to a Product Switch to remain in the Portfolio have not been satisfied or the relevant representations and warranties are not true, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes.

The number of Product Switch requests received by the Seller and/or the Administrator will affect the timing of principal amounts received by the Issuer and hence payments of principal and (in the event of a shortfall) interest on the Notes.

The Seller (or the Administrator on behalf of the Seller) may periodically agree to make a Further Advance to a Borrower. In such circumstances, the Seller will be required to give notice to the Issuer and the Security Trustee of any such Further Advances as soon as practicable following the Collection Period End Date relating to the Collection Period during which the relevant Further Advance was made and repurchase the Loan that is the subject of the relevant Further Advance on the Interest Payment Date immediately following receipt by the Seller of notice from the Issuer or (following the enforcement of the Security) the Security Trustee requiring the same. Investors should see the section of this Prospectus entitled "*Summary of Key Transaction Documents - Mortgage Sale Agreement - Further Advances*" for further details. Where the Seller is so required to repurchase a Loan, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. This may also affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes.

Where the Seller is required to repurchase a Loan and its Related Security, provided that certain conditions are satisfied, the Seller may contemporaneously with such repurchase sell a Substitute

Loan and its Related Security to the Issuer. Investors should see the section of this Prospectus entitled '*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Substitute Loans*' for further details. If a Seller is subsequently required to repurchase a Substitute Loan because the necessary conditions for selling that Substitute Loan to the Issuer on the relevant Purchase Date were not satisfied or any other relevant representations and warranties are not true, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes.

#### **Absence of Insurance Policies**

Investors should note that the Issuer will not be assigned, or otherwise have, the benefit of any insurance policies in respect of the Loans or their Related Security. The Issuer will therefore be unprotected against any defect in the Loans and their Related Security, save to the extent the same gives rise to a repurchase obligation of the Seller under the Mortgage Sale Agreement or a cause of action by virtue of any rights against third parties (including valuers) assigned by the Seller to the Issuer under the Mortgage Sale Agreement. There can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement, nor can there be any assurance that any action taken against a third party (such as a valuer) will be successful. Any such defect in the Loans or their Related Security could therefore adversely affect the Issuer's ability to redeem the Notes.

#### **Delinquencies or Default by Borrowers in paying amounts due on their Loans**

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

#### **Change of counterparties**

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Account Bank) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

These criteria include requirements imposed by the FSA under the FSMA and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. This may reduce amounts available to the Issuer to make payments of interest on the Notes.

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

### **Change of Law**

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Class A Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

### **Denominations**

The Class A Notes and the Class B Notes are issued in denominations of £100,000 and integral multiples of £1,000 thereafter.

If Definitive Notes are required to be issued in respect of the Notes represented by Global Notes, they will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 up to and including £199,000. No Definitive Notes will be issued with a denomination above £199,000. Accordingly, if Definitive Notes are required to be issued in exchange for a Global Note, a Noteholder holding an interest in a Global Note of less than an authorised denomination will need to purchase a principal amount of Notes such that their holding may be exchanged in full for Definitive Notes in authorised denominations. Such stub amounts may be illiquid and difficult to trade.

### **Certain Regulatory Considerations**

#### **Office of Fair Trading, Financial Services Authority and Other Regulatory Authorities**

In the United Kingdom, the Office of Fair Trading (the "**OFT**") is responsible for the issue of licences under, and the superintendence of the working and enforcement of, the Consumer Credit Act 1974 (the "**CCA**"), related consumer credit regulations and other consumer protection legislation. The OFT may review businesses and operations, provide guidelines to follow and take action when necessary with regard to the mortgage market in the United Kingdom (except to the extent of the regulation of the market by the Financial Services Authority ("**FSA**") under the Financial Services and Markets Act 2000 (the "**FSMA**"), as described further below). The licensing regime under the CCA is different from, and additional to, the regime for authorisation under the FSMA.

A credit agreement is regulated by the CCA where (a) the borrower is or includes an "individual" as defined in the CCA, (b) if the credit agreement was made before the financial limit was removed (as discussed further below), the amount of "credit" (as defined in the CCA) does not exceed the financial limit, which was £25,000 for credit agreements made on or after 1 May 1998 or lower amounts for credit agreements made before that date and (c) the credit agreement is not an exempt agreement under the CCA (for example, in certain circumstances, certain credit agreements to finance the purchase of land are exempt agreements under the CCA).

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with requirements under the CCA as to licensing of lenders and brokers, (insofar as applicable) disclosure of pre-contract information, entry into and documentation of credit agreements and post-sale servicing (e.g. the provision of statements). If it does not comply with certain of these requirements, then to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the Borrower (a) without an order of the OFT, if the lender or any broker does not hold the required licence at the relevant time (and if the lender or

broker obtains such an order, paragraphs (b) and (c) below will still apply in relation to the credit agreement), (b) totally, if the credit agreement is made before 6 April 2007 and if the form to be signed by the Borrower is not signed by the borrower personally or omits or mis-states a "prescribed term" or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability of the lender.

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

Under Section 75 of the CCA in certain circumstances (a) the lender is liable to the Borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by the lender, where the related credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier and (b) the lender has a statutory indemnity from the supplier against such liability (including the lender's reasonable costs in defending proceedings), subject to any agreement between the lender and the supplier. The borrower may set off the amount of the claim against the lender against the amount owing by the borrower under the loan or under any other loan that the borrower has taken. Any such set off may adversely affect the Issuer's ability to make payments on the Notes.

The Seller will warrant to the Issuer in the Mortgage Sale Agreement that, among other things, as at the Cut-off Date to the extent any agreement for a Loan or any part of it is or has ever been a regulated agreement or treated as such under the CCA or is or has ever been a linked transaction under the CCA, the Seller has at all relevant times held an appropriate consumer credit licence (which the Seller has confirmed to be the case), and that all material requirements of the CCA have been met. If a Loan or its Related Security is found subsequently not to have complied with these warranties when made, and if such non-compliance (if capable of remedy) cannot be or is not cured within 30 Business Days, then the Seller will be required to repurchase the relevant Loan and its Related Security from the Issuer on the following Interest Payment Date.

To the extent that any Loan might be deemed to be regulated by the CCA (as described above), then the provisions of the Consumer Credit Act 2006 (the "**CCA 2006**") would also be of relevance to the enforceability thereof.

The CCA 2006 introduced an unfair relationship test to all new and existing credit agreements. This means that the test applies: (i) to credit agreements entered into before its introduction; and (ii) to credit agreements that are exempt under the CCA (Regulated Mortgage Contracts are excluded, but mortgage loans entered into before 31 October 2004 may be caught). There is no statutory definition of what constitutes an unfair relationship. The test allows the courts to be able to consider a wide range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. If a debtor alleges that an unfair relationship exists, the burden of proof is on the creditor to prove the contrary. The test explicitly imposes liability to repay amounts received from a Borrower on both the Seller and any assignee (such as the Issuer) in certain circumstances where there is an "unfair relationship". Since this liability also extends to an assignee of the Loans such as the Issuer, any such repayment to the Borrower may adversely affect the Issuer's ability to make payments on the Notes such that the payments on the Notes could be reduced or delayed. Investors should note that the Seller is required to warrant in relation to each Loan at the time of sale that it does not give rise (whether on its own or taken together with any related agreement) to an unfair relationship under Sections 140A - 140D of the CCA.

#### *Proposed changes to the UK regulatory structure*

In July 2010, HM Treasury published a consultation on replacing the FSA with a new Prudential Regulation Authority, which will be responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and a new Financial Conduct

Authority (the "**FCA**", previously referred to as the Consumer Protection and Markets Authority), which will be responsible for conduct of business and micro-prudential supervision of other financial institutions. In December 2010, HM Treasury published a consultation on transferring consumer credit regulation from the Office of Fair Trading (the "**OFT**") under the CCA (described below) to the FCA under a regime based on the FSMA, and, in January 2012, HM Treasury published a policy paper announcing its decision to include provisions in the Financial Services Bill 2012 enabling the transfer.

In January 2011, HM Treasury published a further consultation proposing, among other things, that the FCA will have power to render unenforceable contracts made in contravention of its product intervention rules. This consultation also proposed formalised cooperation between the FCA and the Financial Ombudsman Service (described below) particularly where issues potentially have wider implications, with a view to the FCA requiring affected firms to operate consumer redress schemes. The new regulatory structure is expected to be in place by 1 January 2013. The FCA is expected to be a more intrusive regulator than the FSA, with its product intervention powers forming part of a wider "judgement-led" approach to supervision. As set out in the FSA's June 2011 paper on the FCA's proposed approach to regulation, the FCA will have a strong consumer protection mandate, using extensive market analysis to justify early intervention and, where possible, prevent consumer detriment before it manifests (as opposed to relying mainly on redress after the event). It is difficult to predict exactly how the new supervisory approach may affect payments on the Notes, but the change to the FCA brings an increased risk of regulatory intervention in all product areas.

#### *FSMA Regulated Mortgages*

In the United Kingdom, regulation of residential mortgage business by the FSA under the FSMA came into force on 31 October 2004, the date known as "**N(M)**", known in the mortgage loan market as 'M Day'. Entering into, arranging or advising in respect of, and administering Regulated Mortgage Contracts, and agreeing to do any of these things, are (subject to applicable exemptions) regulated activities under the FSMA.

A credit agreement is a "**Regulated Mortgage Contract**" under the FSMA if, at the time it is entered into on or after N(M) (a) the borrower is an individual or trustee, (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage (or the Northern Ireland, Irish or Scottish equivalent) on land (other than timeshare accommodation) in the UK and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust or by a related person.

The main effects are that, unless an exclusion or exemption applies (a) each entity carrying on a regulated mortgage activity has to hold authorisation and permission from the FSA to carry on that activity and (b) generally, each financial promotion in respect of an agreement relating to qualifying credit has to be issued or approved by a person holding authorisation and permission from the FSA. If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract will be unenforceable against the Borrower except with the approval of a court. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after N(M) may commit a criminal offence, but this will not render the contract unenforceable against the Borrower.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be unregulated might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on (a) determining whether the credit agreement or any part of it falls within the definition of Regulated Mortgage Contract and (b) changes to credit agreements.

The FSA Mortgages and Home Finance: Conduct of Business Sourcebook ("**MCOB**"), which sets out its rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract

changes, charges and arrears and repossessions. FSA rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, came into force on 31 October 2004.

A Borrower who is a private person is entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FSA rule, and may set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the Borrower has taken (or exercise analogous rights in Northern Ireland, Ireland or Scotland). Any such set off may adversely affect the Issuer's ability to make payments on the Notes.

Rules are in place to prevent dual regulation under the CCA and FSMA. These rules have not always fitted together perfectly and there is some scope for dual regulation of narrow categories of agreements. A court order under Section 126 of the CCA is, however, necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a Regulated Mortgage Contract to the extent that it would, apart from the exemption referred to above, be regulated by the CCA or be treated as such.

No assurance can be given that additional regulatory changes by the OFT, the FSA or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Seller, the Issuer, the Administrator and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

Although certain Loans to be included in the Portfolio were offered prior to N(M), where any subsequent Product Switches were documented as variations to the existing agreements, it is possible that a court could hold that such variations create a Regulated Mortgage Contract. On this basis, the FSMA regime as set out above would apply to such Loans. By virtue of the definition in the FSA of Regulated Mortgage Contracts, 'buy-to-let' loans would not normally be construed as Regulated Mortgage Contracts, and it is not believed that any such Loans included in the Portfolio would fall into that category, subject to the risk of re-characterisation discussed above.

The Seller holds authorisation and permission to enter into and to administer Regulated Mortgage Contracts. Subject to any exemption, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Issuer is not and does not propose to be an authorised person under the FSMA, and does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. None of the Seller, the Administrator or the Back-up Administrator is permitted to take or omit to take any action if such action or omission would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so. The Issuer does not carry on the regulated activity of administering in relation to Regulated Mortgage Contracts by having them administered pursuant to the Administration Agreement or, following the termination of the appointment of the Administrator, pursuant to the Back-up Administration Agreement.

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



In October 2009, the FSA launched a wide-ranging mortgage market review, which included consideration of strengthened rules and guidance on, among other things, affordability assessments, product regulation, arrears charges and responsible lending. In June 2010, as part of this review, the FSA made changes to MCOB which effectively convert previous guidance on the policies and procedures to be applied by authorised firms with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under the new rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA has indicated that it does not expect each forbearance option referred to in the new rules to be explored at every stage of interaction with the borrower, it is clear that the new rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions. As a result, the new rules may operate in certain circumstances to require the Administrator or Back-up Administrator to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the servicing arrangements contemplated by such documents) in respect of one or more Loans and their Related Security. No assurance can be made that any such actions will not reduce the amounts available to meet the payments due in respect of the Notes, although the impact of this will depend on the number of Loans which involve a Borrower who experiences payment difficulties.

In December 2011, the FSA published a proposed package of reforms as part of its mortgage market review. Comments on these proposed reforms were due by 30 March 2012 and the proposals are expected to be implemented in 2013. The proposed reforms include (among other things) that: reliable evidence is required for income verification; explicit account is taken of the committed expenditure of the applicant and the basic essential expenditure of the household when assessing mortgage affordability; an interest rate stress test; interest-only mortgages are generally assessed for affordability on a capital and interest basis; and that retirement income is considered when lending beyond state pension age. The proposed reforms also include specific debt consolidation requirements and changes to rules on intermediaries and current disclosure requirements. The reforms would also impose prudential requirements on non-bank lenders. In addition, the FSA has included a number of proposals relating to arrears management with a more interventionist approach to monitoring and taking enforcement action against excessive charging practices. The FSA proposes including a provision preventing lenders from attempting to collect under a direct debit on more than two occasions per month and a rule allowing firms to remove concessionary rates where there is a material breach unrelated to payment shortfall.

In November 2009, HM Treasury published a consultation on proposals for the FSA to regulate buy-to-let mortgages, and to introduce a regulated activity of managing Regulated Mortgage Contracts which is intended to protect consumers when mortgage loans are sold. In March 2010, HM Treasury acknowledged an industry concern that the proposed regulated activity of managing Regulated Mortgage Contracts was drawn too widely and could potentially extend to include the activities of securitisation assignees such as the Issuer. In January 2011, HM Treasury announced its decision not to introduce a regulated activity of managing Regulated Mortgage Contracts but instead to extend the regulated activity of administering Regulated Mortgage Contracts to exercising specified rights such as changing interest rates or taking action to repossess the property. The related legislation is expected to be in place later in 2012.

In addition, the FSA has focused recently on mortgage arrears, tightening rules and fining lenders where it considers that fees charged on customers in arrears are disproportionately high. The FSA has indicated that it will continue to look closely at mortgage arrears fees and non-arrears fees, such as early repayment charges as well as focusing on unfair terms. Closer scrutiny is also being applied to Third Party Administrators in circumstances where a mortgage book is sold by a lender to a non-regulated entity. This, as well as any further changes in MCOB arising from the FSA's mortgage market review, or to MCOB or the FSMA arising from HM Treasury's proposals to change mortgage regulation or the regulatory framework, may adversely affect the Loans, the Seller and/or the Administrator and their respective businesses and operations.

## **European Directives on Consumer Credit**

In April 2008, the European Parliament and the Council adopted a second directive on consumer credit, Directive 2008/48/EC of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (the "**Consumer Credit Directive**"), which provides that, subject to exemptions, loans of at least €200 and not exceeding €75,000 between credit providers and consumers will be regulated. This directive required member states to implement the directive by measures coming into force from 11 June 2010. The UK breached the requirement to implement by 11 June 2010, achieving full implementation by 1 February 2011, but introduced a transitional period so that lenders could move to comply with the new regime between 11 June 2010 and 1 February 2011. UK draft proposals for implementation were published in July and October 2009 and the implementing regulations generally came into force on 1 February 2011. Loans secured by a land mortgage (including, in Scotland, a standard security) are, however, exempted from the Consumer Credit Directive and from the first consumer credit directive.

The European Commission published a White Paper on mortgage credit in December 2007 (as described below), setting out its tasks for 2008 and 2010 including, amongst other things, an assessment of the regulation of early repayment charges and pre-contract disclosure and interest rate restrictions. The European Commission has, on 31 March 2011, published a proposal for a directive on credit agreements relating to residential property. The proposed directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property; (b) credit agreements the purpose of which is to acquire or retain rights in land or in an existing or proposed residential building; and (c) credit agreements the purpose of which is to renovate residential immovable property and which are outside the Consumer Credit Directive. The proposed directive does not apply to credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.

The proposed directive requires (among other things): standard information to be included in advertising, standard pre-contractual information, and obligations to provide adequate explanations to the borrower on the proposed credit agreement and any ancillary service, and to assess creditworthiness of the borrower. The proposed directive also imposes prudential and supervisory requirements for credit intermediaries and creditors, including creditors who are not deposit-takers.

Until the proposed directive is considered and adopted by the European Parliament and the Council, and implemented into UK law, it is too early to tell what effect the directive and the implementation of the directive into UK law would have on the Seller, the Issuer and/or the Administrator and their respective businesses and operations. It is believed that when the directive is agreed, the UK will have a further two years to implement, during which time the FSA will consult on necessary changes to their rules.

## **Distance Marketing**

The Financial Services (Distance Marketing) Regulations 2004 apply to, among other things, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A Regulated Mortgage Contract under the FSMA, if originated by a UK lender from an establishment in the UK, will not be cancellable under these regulations. Certain other credit agreements will be cancellable under these regulations if the borrower does not receive prescribed information at the prescribed time. Where the credit agreement is cancellable under these regulations, the Borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received, or, if later, the Borrower receives the last of the prescribed information. Investors should note however that the Seller is required to warrant on the Issue Date in relation to each of the Loans in the Portfolio that they have been the subject of at least one monthly payment.

If the Borrower cancels the credit agreement under these regulations, then:

the Borrower is liable to repay the principal and any other sums paid by the Seller to the Borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the Borrower sending the notice of cancellation or, if later, the Seller receiving notice of cancellation;

the Borrower is liable to pay interest, or any Early Repayment Charge or other charge for credit under the cancelled agreement, only if the Borrower received certain prescribed information at the prescribed time and if other conditions are met; and

any security provided in relation to the contract is to be treated as never having had effect.

As the cancellation period will likely have expired, even if any of the Loans are characterised as being cancellable, the Issuer's receipts in respect of the Loans may not be affected, however investors should note that the cancellation period will run for 14 days once the prescribed information has been provided to Borrowers, and so a risk may remain, to the extent that the correct cancellation information was not given to Borrowers at the start of their agreement.

### **Unfair Terms in Consumer Contracts Regulations 1994 and 1999**

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

- a consumer may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer; and
- the OFT and any "qualifying body" within the 1999 Regulations (such as the FSA) may seek to enjoin (or in Scotland interdict) a business from relying on unfair terms.

The UTCCR will not affect "core terms" which define the main subject matter of the contract, such as the borrower's obligation to repay the principal (provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to be core terms, such as the lender's power to vary the interest rate and certain terms imposing Early Repayment Charges and mortgage exit administration fees.

For example, if a term permitting the lender to vary the interest rate (as the Seller is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken. Any such non recovery, claim or set off may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

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

In January 2012, the FSA published general guidance on unfair contract terms, focussing on particular types of terms, including those containing a right to unilaterally vary a contract and conferring discretion to exercise contractual powers. The guidance does not deal specifically with mortgage contracts, but, in relation to unilateral variations, including of interest rates, reiterates that a firm must, for fixed term products such as mortgages, have a valid reason for the change, and

that it must, where the reason is not specified in the contract, notify customers as soon as possible and allow them to dissolve the contract immediately (which may involve waiving early repayment and mortgage exit fees, and may not be possible where a borrower cannot readily find another mortgage at an equivalent rate).

Under a concordat agreed between the FSA and the OFT with effect from 31 July 2006, responsibility for the enforcement of the UTCCR in mortgage loan agreements was agreed to be allocated, ordinarily, to the FSA in relation to mortgage contracts in respect of the activities of firms authorised by the FSA, and to the OFT in relation to other mortgages. In April 2006, the OFT publicly announced that the principles the OFT considers should be applied in assessing the fairness of credit card default charges shall apply (or are likely to apply) also to analogous default charges in other agreements, including those for mortgages. In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides that, for locked-in borrowers, a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised.

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

In August 2002, the Law Commission for England and Wales and the Scottish Law Commission issued a joint consultation paper on proposals to rationalise the UK Unfair Contract Terms Act 1977 and the UTCCR into a single piece of legislation and a final report, together with a draft bill on unfair terms, was published in February 2005. The Law Commissions have a duty under Section 3 of the UK's Law Commissions Act 1965 to keep the law under review for a number of purposes, including its simplification. The proposals are primarily to simplify the legislation on unfair terms. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that (a) a consumer may also challenge a negotiated term in an agreement on the basis that it is "unfair" and "unreasonable" within the legislation and therefore not binding on the consumer and (b) in any challenge by a consumer (but not by the OFT or a qualifying body) of a standard term or a negotiated term, the burden of proof lies on the business to show that the term is fair and reasonable. It is too early to tell how the proposals, if enacted, would affect the Loans.

There is little reported case law on the UTCCR and its interpretation is open to some doubt due to the vagueness of the tests involved. Ultimately, whether a term can be characterised as unfair under the UTCCR depends upon the facts and circumstances of the case and is a matter for a court. It is difficult, therefore, to give any definitive opinion as to whether any of the terms of the standard loan and mortgage documentation are unfair within the UTCCR.

Whilst the OFT and FSA have powers to enforce the UTCCR, it would be for a court to determine their proper interpretation. The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

The guidance issued by the FSA and OFT has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the

UTCCR will not have a material adverse effect on the Seller, the Issuer and their respective businesses and operations.

### **Pre-action Protocol for mortgage possession cases**

Recent protocols for mortgage possession cases set out the steps that judges will expect any lender to take before starting a claim. In England and Wales the most recent protocol came into force on 19 November 2008 and, in Northern Ireland, the most recent protocol came into force on 5 September 2011. A number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three months after a borrower, who is an owner-occupier, is in arrears. The application of such a moratorium is subject to the wishes of the relevant borrower and may not apply in cases of fraud.

The FSA's MCOB from 25 June 2010 (formerly these were matters of non-binding guidance) prevents, in relation to Regulated Mortgage Contracts: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term or a product switch and (b) automatically capitalising a payment shortfall. There can be no assurance that any delay in starting and/or completing repossession actions by the Seller would not result in the amounts recovered being less than if the Seller did not allow any such delays (which may ultimately affect the ability of the Issuer to make payments of interest and principal on the Notes when due). The protocol and MCOB requirements for mortgage possession cases may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and a lower repayment rate on the Notes.

### **Home Owner and Debtor Protection (Scotland) Act 2010**

The Scottish Parliament has passed the Home Owner and Debtor Protection (Scotland) Act 2010 (the "**2010 Act**"), Part 1 of which came into effect on 30 September 2010 and contains provisions imposing additional requirements on heritable creditors (the Scottish equivalent to mortgagees) in relation to the enforcement of standard securities over residential property in Scotland. The 2010 Act amends the Conveyancing and Feudal Reform (Scotland) Act 1970, which previously permitted a heritable creditor to proceed to sell the secured property where the formal notice calling up the standard security has expired without challenge (or where a challenge has been made but not upheld). In terms of the 2010 Act the heritable creditor will now have to obtain a court order to exercise its power of sale, unless the borrower and any additional occupiers has surrendered the property voluntarily. In addition, the 2010 Act requires the heritable creditor in applying for a court order to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, as well as imposing further procedural requirements. This may restrict the ability of the Seller as heritable creditor of the Scottish Mortgages to exercise its power of sale and this could affect the ability of the Issuer to make payments to the Noteholders.

### **Financial Ombudsman Service**

Under the FSMA, the Financial Ombudsman Service (the "**Ombudsman**") is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code occurring before N(M) may be dealt with by the Financial Ombudsman Service. Complaints brought before the Financial Ombudsman Service for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

As the Financial Ombudsman Service is required to make decisions on the basis of what the Ombudsman considers fair and reasonable in all the circumstances of the case, and may order a money award to the borrower, it is not possible to predict how any future decision of the Financial Ombudsman Service would affect the ability of the Issuer to make payments to Noteholders.

In August 2006, the Financial Ombudsman Service, having discussed the matter with the FSA, announced that mortgage exit administration fees raised an issue with wider implications. While there is no material difference in the way each individual case that is referred to is dealt with, it should be noted that the Financial Ombudsman Service will take into account any guidance issued, or decisions made, by the FSA.

The FSA issued a statement on mortgage exit fees on 26 January 2007. The FSA stated that lenders had to decide by 28 February 2007 which option they would adopt for their current borrowers to ensure that its borrowers had a clear understanding of the fees that would be payable on exit. The FSA stated that it was unlikely to investigate further a lender that opted to apply no charge or to charge the original (or no more than the original) mortgage exit administration fee. The FSA stated that it expected lenders to treat past borrowers who complain about the level of the mortgage exit administration fee in the same way as the lender will be treating comparable current Borrowers.

### **Consumer Protection from Unfair Trading Regulations 2008**

On 11 May 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). Generally this Directive applies full harmonisation, which means that member states may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, this Directive permits member states to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

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

The Unfair Practices Directive is implemented in the UK by the Consumer Protection from Unfair Trading Regulations (the "**CPUTR**"), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in irrecoverable losses on amounts to which such agreements apply. Breach of certain CPUTR provisions is a criminal offence.

In addition, the OFT addresses commercial practices in administering licences under the CCA, and the FSA has taken the Unfair Practices Directive into account in reviewing its rules. For example, the FSA's MCOB from 25 June 2010 (formerly these were matters of non-binding guidance) prevents the lender from: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or conversion to interest-only for a period, or a product switch, and (b) automatically capitalising a payment shortfall.

Under the CPUTRs a commercial practice is to be regarded as unfair and prohibited if it is:

- (a) contrary to the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or general principles of good faith in the trader's field of activity; and
- (b) materially distorts or is likely to materially distort the economic behaviour of the average consumer (who is reasonably well-informed and reasonably observant and circumspect, and taking into account social, cultural and linguistic factors) who the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group).

In addition to the general prohibition on unfair commercial practices, the CPUTRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure

selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair. The effect (if any) of the CPUTRs on the Loans, the Seller or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPUTRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator.

No assurance can be given that the CPUTRs will not adversely affect the ability of the Issuer to make payments to Noteholders.

The Unfair Practices Directive has been implemented for a transitional period until 12 June 2013, after which full harmonisation will apply in the fields to which it relates. No assurance can be given that the United Kingdom implementation of the Unfair Practices Directive, including full harmonisation in the fields to which it applies, will not have a material adverse effect on the Loans and accordingly on the ability of the Issuer to make payments to Noteholders.

### **The Mortgage Repossession (Protection of Tenants etc) Act 2010**

The Mortgage Repossession (Protection of Tenants etc) Act 2010 came into force on 1 October 2010. This Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order. This Act may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and a lower repayment rate on the Notes.

### **Legal and regulatory developments**

No assurance can be given that changes will not be made to the regulatory regime and developments described above in respect of the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments, in particular, but not limited to, the cost of compliance, may have material adverse effect on the Seller, the Issuer, the Administrator and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

### **Securitisation Company Tax Regime**

The Taxation of Securitisation Companies Regulations 2006 (the "**TSC Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006 (and now take effect under Chapter 4, Part 13 of the Corporation Tax Act 2010). The TSC Regulations deal with the corporation tax position of securitisation companies such as the Issuer with effect for periods of account beginning on or after 1 January 2007. The TSC Regulations have been amended by, in particular, the Taxation of Securitisation Companies (Amendment) Regulations 2007, which came into force on 27 December 2007 (and have effect for periods beginning on or after 1 January 2007).

If the TSC Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on advice received, the Issuer expects to be taxed under the special tax regime for which provision is made by the TSC Regulations.

Investors should note, however, that the TSC Regulations are in short-form and it is expected that advisors will rely significantly upon guidance from the UK tax authorities when advising on the

scope and operation of the TSC Regulations including whether any particular company falls within the regime provided for by the TSC Regulations.

Prospective Noteholders should note that if the Issuer did not fall to be taxed under the regime provided for by TSC Regulations then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to the Noteholders.

### **EU Savings Directive**

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

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### **US foreign account tax compliance withholding**

The Foreign Account Tax Compliance provisions of the US Hiring Incentives to Restore Employment Act ("**FATCA**") generally impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to certain non-U.S. financial institutions (which may include entities such as the Issuer) that do not enter into and comply with an agreement with the U.S. Internal Revenue Service (the "**IRS**") to provide certain information about their US accountholders and investors. The new withholding regime will be phased in beginning in 2014.

Although proposed treasury regulations have been published by the IRS, this is only interim guidance and does not provide comprehensive details regarding FATCA. No assurance can be provided that the Issuer will enter into such an agreement with the IRS or be able to comply with any obligations pursuant to any legislation implementing FATCA. If the Issuer determines that it must comply with FATCA in order to receive certain payments free of U.S. withholding tax, Noteholders may be required to provide certain information in order to avoid tax being withheld from payments under or in respect of the Notes. By purchasing the Notes, a purchaser will be deemed to have agreed to provide the Issuer with the information required to allow the Issuer to comply with FATCA. If a Noteholder does not provide the required information, or (in the case of a Noteholder that is a non-U.S. financial institution) does not enter into such an agreement with the IRS, the Issuer or its agents may withhold tax at 30 per cent. on a portion of any payments made in respect of the Notes as required by FATCA. For the purposes of the foregoing, references to FATCA shall also include any amendments made to FATCA (or successor provisions) after the date of this Prospectus and any inter-governmental agreement made pursuant to FATCA or implementing legislation adopted by another jurisdiction in connection with FATCA.

Prospective investors should consult their advisors about the application of FATCA.

### **Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes**

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a series of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such



securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Arranger, the Joint Lead Managers or the Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment in the Notes on the Issue Date or at any time in the future.

In particular, investors should be aware of Article 122a of the CRD (and any implementing rules of the CRD in relation to a relevant jurisdiction) which applies in general to newly issued securitisations after 31 December 2010. Article 122a restricts an EU regulated credit institution from investing in a securitisation unless the originator, sponsor or original lender in respect of that securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in that securitisation as contemplated by Article 122a. Article 122a also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, the notes it has acquired and the underlying exposures and that procedures have been established for such due diligence to be conducted on an on-going basis. Failure to comply with one or more of the requirements set out in Article 122a may result in the imposition of a penal capital charge with respect to the investment made in the securitisation by the relevant investor.

Article 122a applies in respect of the Notes, so investors which are EU regulated credit institutions should therefore make themselves aware of the requirements of Article 122a (and any implementing rules of the CRD in relation to a relevant jurisdiction) in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. Relevant investors are required to independently assess and determine the sufficiency of the information described in this Prospectus and in any Investor Reports provided in relation to the transaction for the purpose of complying with Article 122a and none of the Issuer, the Seller, the Administrator or the Cash Manager, the Arranger, the Joint Lead Managers or any other party to the transaction makes any representation that the information described above is sufficient in all circumstances for such purposes.

There remains considerable uncertainty with respect to Article 122a and it is not clear what will be required to demonstrate compliance to national regulators. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory charges for non compliance with Article 122a and any implementing rules of the CRD in a relevant jurisdiction should seek guidance from their regulator. Similar requirements to those set out in Article 122a are expected to be implemented for other EU regulated investors (such as investment firms, insurance and reinsurance undertakings and certain hedge fund managers) in the future.

Article 122a of the CRD and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

**Implementation of and/or changes to the Basel II Framework may affect the capital and/or the liquidity requirements associated with a holding of the Notes for certain investors**

In 1988, the Basel Committee on Banking Supervision (the "**Basel Committee**") adopted capital guidelines that explicitly link the relationship between a bank's capital and its credit risks. In June 2006 the Basel Committee finalised and published new risk-adjusted capital guidelines ("**Basel II**"). Basel II includes the application of risk-weighting which depends upon, amongst other factors, the external or, in some circumstances and subject to approval of supervisory authorities, internal credit rating of the counterparty. The revised requirements also include allocation of risk capital in relation to operational risk and supervisory review of the process of evaluating risk measurement and capital ratios.

Basel II has not been fully implemented in all participating jurisdictions. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework. The Basel II framework is implemented in the European Union by the CRD. Certain amendments have been made to the CRD, including by Directive 2010/76/EU (the so-called "**CRD III**"), which is required to

be implemented by Member States (and was implemented by the United Kingdom) by the end of 2011 and which introduces (amongst other things) higher capital requirements for certain trading book positions and securitisation positions.

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as "**Basel III**") and on 1 June 2011 issued its final guidance, which envisages a substantial strengthening of existing capital rules, including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and a minimum leverage ratio for financial institutions. In particular, the changes include new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The Basel Committee is also considering introducing additional capital requirements for systemically important institutions. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as "**CRD IV**") were presented in July 2011. The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### **European Monetary Union**

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes.

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in the European economic and monetary union and that the Euro may become the lawful currency of the United Kingdom (although the new UK coalition government has recently ruled out preparing for or joining the euro for the duration of the coalition agreement as published in full on 20 May 2010). In the event that the euro were to become the lawful currency of the United Kingdom, (a) all amounts payable in respect of the Notes may become payable in Euro; (b) applicable provisions of law may allow or require the Notes to be redenominated into Euro and additional measures to be taken in respect of such Notes; and (c) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors in the Notes. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Notes.

### **English law and Northern Irish law security and insolvency considerations**

The Issuer will enter into the Deed of Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes (as to which, investors should see further the section of this Prospectus entitled '*Summary of Key Transaction Documents — Deed of Charge*' for a summary of the Security). If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired.

In particular, the ability to realise the Security granted by the Issuer may be delayed if an administrator is appointed or in the context of a company voluntary arrangement in respect of the Issuer. In this regard, it should be noted that:

- (a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 (and equivalent amendments were made to the Insolvency (Northern Ireland) Order 1989 by the Insolvency (Northern Ireland) Order 2005 which came into force on 27 March 2006) which restrict the right of the holder of a floating charge to appoint an administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain capital market transactions. While it is anticipated that the requirements of this exception will be met in respect of the Deed of Charge, it should be noted that the Secretary of State may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect; and
- (b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002), and under the Insolvency (Northern Ireland) Order 1989 (as amended by the Insolvency (Northern Ireland) Order 2002) certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital market and/or which has a liability in excess of a certain amount. While the Issuer should fall within the current exceptions, it should be noted that the Secretary of State may by regulation modify these exceptions.

#### *Floating Charge Realisations*

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge re-characterised by the courts as a floating charge as further discussed below), then (i) prior charges, (ii) certain subsequent charges, (iii) the expenses of any administration, (iv) the claims of preferential creditors, (v) to the extent that such floating charge is not a "financial collateral arrangement" under The Financial Collateral Arrangements (No. 2) Regulations 2003, the claims of unsecured creditors in respect of that 'prescribed part' of the company's net property set aside for such purpose pursuant to Section 176A of the Insolvency Act 1986 (and Article 7 of the Insolvency (Northern Ireland) Order 2005), and (vi) the expenses of any winding up (including any expenses or costs which were proposed or incurred by a liquidator in connection with legal proceedings duly authorised or approved by one or more "specified creditor(s)" or by the court), to the extent that the assets of the company available for the payment of its general creditors were insufficient to meet such winding-up expenses in full, will rank prior to such floating charge. These matters are more fully explored below.

#### *Recharacterisation of Fixed Charges as Floating Charges*

In certain circumstances, a charge which purports to be taken as a fixed charge may take effect as a floating charge. In particular if the charge holder fails to exercise the requisite degree of control over the assets purported to be charged and the proceeds of such assets, including any bank account into which such proceeds are paid. If the charges take effect as floating charges instead of fixed charges then certain matters, which are given priority over the floating charge by law, will be given priority over the claims of the floating charge holder.

#### *Reduction of Floating Charge Realisations by Liquidation Expenses*

On 6 April 2008, a provision in the Insolvency Act 1986 and in the Insolvency (Northern Ireland) Order 1989 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that the costs and expenses of a

liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in rules 4.218A to 4.218E of the Insolvency Rules 1986 and rules 4.228A to 4.228E of the Insolvency Rules (Northern Ireland) 1991. In general, the reversal of the Leyland Daf case applies in respect of all liquidations commenced on or after 6 April 2008.

As a result of the changes described above, which bring the position in a liquidation into line with the position in an administration, upon the enforcement of the floating charge security granted by the Issuer, floating charge realisations which would otherwise be available to satisfy the claims of the Secured Creditors under rights the Deed of Charge may be reduced by at least a significant proportion of any liquidation or administration expenses. There can be no assurance that the Noteholders will not be adversely affected by such a reduction in floating charge realisations.

#### *Reduction of Floating Charge Realisations by the 'Prescribed Part'*

Further, section 176A of the Insolvency Act 1986 and Article 150A of the Insolvency (Northern Ireland) Order 1989 provide that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a 'prescribed part' of the company's net property available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's 'net property' is defined as the amount of the chargor's property which would be available for satisfaction of debts due to the holder or holders of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration.

The 'prescribed part' is defined to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, provided that such amount may not exceed £600,000.

This obligation does not apply if the net property is less than a minimum amount and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. The relevant officeholder may also under the Insolvency Act 1986 or, as the case may be, under the Insolvency (Northern Ireland) Order 1989, apply to court for an order that the provisions of section 176A of the Insolvency Act 1986 or Article 150A of the Insolvency (Northern Ireland) Order 1989 (as the case may be) should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits.

Therefore, floating charge realisations upon the enforcement of any security granted may be reduced by the operation of these 'ring fencing' provisions, up to a maximum of £600,000. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure that the Issuer has no significant creditors other than the Secured Creditors under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

#### **Limited recourse**

The Notes will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its obligations under the Notes will be dependent upon the receipt by it in full of (a) principal and interest from the Borrowers under the Loans and their Related Security in the Portfolio, (b) interest income on the Bank Accounts and (c) funds available in the General Reserve Fund. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. Upon enforcement of the Security by the Security Trustee, if:

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;

- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and
- (c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal and interest),

then the Secured Creditors (which include the Noteholders) shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal and interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

Each Secured Creditor agrees that if any amount is received by it (including by way of set-off) in respect of any secured obligation owed to it other than in accordance with the provisions of the Deed of Charge, then an amount equal to the difference between the amount so received by it and the amount that it would have received had it been paid in accordance with the provisions of the Deed of Charge shall be received and held by it as trustee for the Security Trustee and shall be paid over to the Security Trustee immediately upon receipt so that such amount can be applied in accordance with the provisions of the Deed of Charge.

#### **CRA Regulations**

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

## SUMMARY OF THE KEY TRANSACTION DOCUMENTS

### **Mortgage Sale Agreement**

The parties to the "**Mortgage Sale Agreement**" will be the Issuer, the Seller, the Administrator and the Security Trustee. The Mortgage Sale Agreement will be entered into on the Issue Date.

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will sell its interest in a portfolio of residential mortgage loans (the "**Loans**") and their associated mortgages (the "**Mortgages**" and, together with the other security for the Loans, the "**Related Security**") and all monies derived therefrom from time to time (collectively referred to in this Prospectus as the "**Portfolio**") to the Issuer on the Issue Date. Investors should refer to the section of this Prospectus entitled '*The Loans - Selection of the Portfolio*' for a description of the selection process for inclusion of mortgage loans within the Portfolio. In this Prospectus, "**Early Repayment Charge**" means any charge (other than a standard redemption fee) which a Borrower may be required to pay in the event that the Borrower repays all or any part of the relevant Loan before a specified date.

The sale by the Seller to the Issuer of the relevant Loans in the Portfolio will be given effect by (a) as regards English Loans and Northern Ireland Loans and their Related Security, an equitable assignment and (b) as regards Scottish Loans, a Scottish Declaration of Trust pursuant to which the Issuer is vested in the beneficial interest in and to such Scottish Loans and their Related Security. The terms "**sale**", "**sell**" and "**sold**" when used in the Prospectus in connection with the Loans and their Related Security shall be construed to mean each such equitable assignment and each such Scottish Declaration of Trust.

The consideration due to the Seller in respect of the Portfolio will be the aggregate of:

- (a) £438,537,000.85 (the "**Initial Consideration**"); and
- (b) the Deferred Consideration.

The Issuer's obligation to pay the Initial Consideration to the Seller will be satisfied in part by way of set off against (to the full extent of such issue price) the amount payable by the Seller in respect of the issue price of the Class B Notes under the Subscription Agreement.

Any Deferred Consideration will be paid solely to the Seller in accordance with the then applicable Priority of Payments.

### ***Certain Key Defined Terms relating to the Loans***

Investors should note that when used in this Prospectus, the term "**Loans**" means the loans in the Portfolio to be sold to the Issuer on the Issue Date together with, where the context so requires, each Substitute Loan sold to the Issuer by the Seller after the Issue Date, and any Loans previously sold by the Seller to the Issuer and which have been subject to a Product Switch, but excludes any Loan and its Related Security redeemed or repurchased by the Seller pursuant to the Mortgage Sale Agreement or otherwise sold by the Issuer in accordance with the terms of the Transaction Documents and no longer beneficially owned by it; the term "**Outstanding Principal Balance**" means the aggregate principal balance of a Loan including the amount of the initial advance, plus any capitalised expenses, capitalised arrears and capitalised interest, less any prepayment, repayment or payment of the foregoing and excluding any Further Advances made in respect of such Loan; and the term "**Related Security**" means the security provided by the relevant Borrower for the repayment of a Loan, including in particular the relevant Mortgage and the benefit of any guarantee given in relation to the Loan.

### ***Title to the Loans, Mortgages, Registration and Notifications***

The completion of the legal transfer or conveyance of the Loans and Related Security (and, where appropriate, their registration) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security therefore remains with the Seller. Notice of

the sale of the Loans and their Related Security to the Issuer will not (except as stated below) be given to any Borrower, and the Issuer will not apply to any registry in England and Wales, Northern Ireland or Scotland to register or record its equitable or beneficial interest in the Loans and their Related Security.

The legal transfers to the Issuer of all the Loans and their Related Security will be completed as soon as reasonably practicable after the earliest to occur of the following (each a "**Perfection Event**"):

- (a) a Seller Insolvency Event; or
- (b) the Seller being required to perfect the Issuer's legal title to the Loans and the Related Security by law, by an order of a court of competent jurisdiction, or by a regulatory authority to which the Seller is subject.

In this Prospectus, "**Seller Insolvency Event**" means an Insolvency Event in relation to the Seller and "**Insolvency Event**" means, in respect of an entity the occurrence of one or more of the following:

- (a) an order is made or an effective resolution passed for the winding up of the relevant entity, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Security Trustee in writing or by an Extraordinary Resolution of the holders of the most senior class of Notes then outstanding; or
- (b) the relevant entity, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (a) above, ceases or through an authorised action of its board of directors, threatens to cease to carry on all or substantially all of its business or its mortgage administration business or is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1)(a) of the Insolvency Act or Article 103(1)(a) of the Insolvency Order (as applicable) (on the basis that the reference in such section to £750 was read as a reference to £10 million), Sections 123(1)(b), (d) and (e) of the Insolvency Act or Articles 103(1)(b), (d) and (e) of the Insolvency Order (as applicable), 123(1)(c) of the Insolvency Act or Article 103(1)(c) of the Insolvency Order (as applicable) (on the basis that the words "for a sum exceeding £10 million" were inserted after the words "extract registered bond" and "extract registered protest") and, other than in the case of the Issuer, 123(2) of the Insolvency Act or Article 103(2) of the Insolvency Order; or
- (c) proceedings shall be initiated against the relevant entity under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation (other than a reorganisation where the relevant entity is solvent) or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and (except in the case of presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) such proceedings are not being disputed in good faith with a reasonable prospect of success or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official shall be appointed in relation to the relevant entity or in relation to the whole or any substantial part of the undertaking or assets of the relevant entity, or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the relevant entity, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the relevant entity and such possession or process (as the case may be) shall not be discharged or otherwise cease to apply within 30 days of its commencement, or the relevant entity (or its directors or shareholders) initiates or

consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or makes a conveyance or assignment or assignation for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness.

The Seller has undertaken in the Mortgage Sale Agreement to notify the Issuer and the Security Trustee if a Perfection Event occurs.

The title information documents and Borrower files relating to the Portfolio are currently held by or to the order of the Seller. The Seller has undertaken that, until perfection of the assignments and transfer of titles to the Loans as contemplated by the Mortgage Sale Agreement, all the title information documents and Borrower files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs.

Neither the Security Trustee nor the Issuer has made or has caused to be made on its behalf any enquiries, searches or investigations in relation to the Portfolio, but each is relying entirely on the representations and warranties by the Seller contained in the Mortgage Sale Agreement.

### ***Representations and Warranties***

The Seller will represent and warrant in the Mortgage Sale Agreement, among other things, as follows, on a Loan by Loan basis, in respect of the Loans comprising the Portfolio and their Related Security, the Borrowers of such Loans, the Mortgages securing such Loans and the Mortgaged Properties mortgaged by such Mortgages on the Issue Date but speaking as at the Cut-off Date:

- (a) True, complete and accurate particulars of each Loan are set out in the Mortgage Sale Agreement;
- (b) Origination of each Loan by the Seller in the ordinary course of its business in Scotland, Northern Ireland, England or Wales;
- (c) Origination and denomination of each Loan in Sterling;
- (d) No Loan having an Outstanding Principal Balance of more than £1,500,000;
- (e) Each Loan matures for repayment not later than 30 months prior to the Final Maturity Date;
- (f) Each Loan is a Fixed Rate Loan, a Variable Rate Loan, a Discounted Rate Loan or a Tracker Rate Loan;
- (g) No lien or right of set off or counterclaim or other right of deduction has arisen as between any Borrower and the Seller (other than by virtue of a Relevant Deposit Account);
- (h) Prior to the making of the initial advance and any further advance made prior to the Cut-off Date in respect of such Loan, the Loan was sanctioned in the context of the Seller's then-applicable Lending Criteria and sanctioning structure in all material respects, which included, as relevant in each case an assessment of factors including the Borrower's overall assets, ability to repay, any financial track record with the Seller and verification by the Seller of the Borrower's income;
- (i) Each Loan was made and its Related Security taken or received, on terms substantially similar to the terms of the Seller's standard documentation and nothing subsequently done to lessen, modify or vary the terms materially;
- (j) Non-conflict with the terms of any Loan and their Related Security, or with the Transaction Documents, or the brochures, application forms, offer, conditions and marketing material distributed by the Seller to the Borrower;



- (k) Each Borrower has made at least one scheduled payment;
- (l) Other than with respect to the scheduled payments, no Borrower is or has been in material breach of any obligation requiring steps to be taken by the Seller to enforce any Related Security;
- (m) No Loan is more than 29 days in arrears in respect of any scheduled payment;
- (n) No Loan is guaranteed by a third party save where the guarantee constitutes legal, valid and binding obligations of the guarantor enforceable in accordance with their terms;
- (o) Each Loan constitutes a valid debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute legal, valid, binding and enforceable obligations of the Borrower, except in relation to any term of such Loan or in its Related Security in each case which is not binding by virtue of the UTCCR (as amended, extended or re-enacted from time to time), and except in relation to such Loan which is not enforceable by virtue of the CCA (as amended, extended or re-enacted from time to time);
- (p) Interest on each Loan is capitalised on an annual, quarterly or monthly basis in accordance with the provisions of the Seller's standard documentation, and paid by the relevant Borrower monthly in arrear;
- (q) The Seller has at all relevant times held an appropriate consumer credit licence as required under the CCA, and all material requirements of the CCA have been met in relation to any Loan (or part thereof) which is or has ever been treated as regulated by the CCA;
- (r) All of the Borrowers are individuals who were aged 18 years or older at the date of entering into the relevant Loan and its Related Security, and the identity of each Borrower has been verified by the Seller;
- (s) There are no other loans or other indebtedness which may be secured or intended to be secured by the Related Security which would cause that Loan and the Related Security to be invalid, unenforceable, not binding or cancellable (or cancelled);
- (t) All of the Outstanding Principal Balances on each Loan and all future advances and interest, fees, costs, expenses and any other amounts payable are secured by a Mortgage over a residential property;
- (u) Each Mortgage constitutes a valid and subsisting first ranking charge by way of legal mortgage (in relation to the English Loans) or by way of first fixed charge or mortgage (in relation to the Northern Ireland Loans) or first ranking standard security (in relation to the Scottish Loans) over the relevant Mortgaged Property;
- (v) Each Mortgage has first priority for the whole of the Outstanding Principal Balance of the Loan and interest thereon;
- (w) Each Loan has been fully drawn by the relevant Borrower and neither the Seller nor its assignees are under an obligation to make further amounts available or to release retentions or to pay fees or other sums relating to any Loan or its Related Security to any Borrower;
- (x) All of the Mortgaged Properties are residential properties situated in England, Wales, Northern Ireland or Scotland;
- (y) Each Mortgaged Property constitutes a separate dwelling unit and is freehold, leasehold, leased or heritable and if a Mortgaged Property is leasehold or leased, written notice has been given to the landlord of the creation of the relevant Mortgage;

- (z) In respect of each Loan secured on leasehold or leased Mortgaged Property, the relevant leasehold or leased interest has an unexpired term left to run of not less than 30 years after the maturity of the relevant Loan (save only for those Loans advanced to Borrowers with an unexpired term left to run after the maturity of the relevant Loan of less than 30 years in circumstances in which a Reasonable, Prudent Mortgage Lender would advance the Loan);
- (aa) Every person having attained the age of 18 and being in or about to be in actual occupation of the relevant Mortgaged Property (other than children of the Borrower under the age of 25 who have no legal interest in the relevant property), is either named as a Borrower or has signed a deed of consent in the form of the pro forma contained in the Seller's standard documentation (except in relation to any Buy to Let Loans) and, in relation to each Mortgage over property situated in Scotland, all necessary documentation under the Matrimonial House (Family Protection) (Scotland) Act 1981 and the Civil Partnership Act 2004 has been obtained so as to ensure that neither the relevant property nor the relevant Mortgage is subject to or affected by any statutory right of occupancy;
- (bb) Each Borrower has a good and marketable title to the Mortgaged Property free from any encumbrance (other than the applicable Mortgage and any subsequent ranking Security Interest) which would materially adversely affect such title and a Reasonable, Prudent Mortgage Lender would regard as unacceptable for security purposes;
- (cc) No Mortgaged Property is the subject of a shared ownership lease arrangement or staircase purchasing arrangement;
- (dd) Not more than 12 months prior to the granting of each Mortgage (or two years in the case of a re-mortgage or further advance made prior to the Issue Date), the Seller received an acceptable valuation report from a valuer on the relevant Mortgaged Property (or such other form of valuation as would be acceptable to the Seller acting as a Reasonable, Prudent Mortgage Lender);
- (ee) Prior to the inception of each Mortgage, the Seller:
  - (i) instructed a solicitor or licensed conveyancer or (in Scotland) qualified conveyancer to carry out appropriate investigations of title to the relevant Mortgaged Property and to undertake other appropriate searches, investigation, enquiries and other actions on behalf of the Seller, as a Reasonable, Prudent Mortgage Lender would consider advisable; and
  - (ii) received a report on title from the solicitor or licensed conveyancer or (in Scotland) qualified conveyancer in paragraph (i) above, relating to such Mortgaged Property in a form acceptable to a Reasonable, Prudent Mortgage Lender;
- (ff) The Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all assets agreed to be sold to the Issuer free and clear of all encumbrances and has not charged or dealt with the benefit of any Loans or their Related Security;
- (gg) All steps necessary to perfect the Seller's title to the Loans and the Related Security were, to the best of the Seller's knowledge and belief, duly taken at the appropriate time;
- (hh) Save for title deeds held at the Land Registry of England and Wales or the equivalent registers in Northern Ireland and Scotland, all the title information and Borrower files relating to each of the Loans and their Related Security are held by, or are under the control of the Seller, the Administrator or the Seller's solicitors, licensed conveyancers or (in Scotland) qualified conveyancers;
- (ii) No transfer, assignment or assignment or creation of trust contemplated by the Mortgage Sale Agreement affects or will adversely affect any of the Loans and their Related Security

and the Seller may freely assign its interests therein, or create a trust in respect of such interests;

- (jj) The Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Loan, Mortgage or its Related Security, other than waivers and acquiescence such as a Reasonable, Prudent Mortgage Lender might make;
- (kk) The Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records, which are up to date and in possession of the Seller or held to its order;
- (ll) Neither the Seller nor as far as the Seller is aware any of its agents has received written notice of any material litigation or dispute (subsisting, threatened or pending) in respect of any Borrower, a Mortgaged Property, Loan or Related Security which (if adversely determined) might have a material adverse effect on the Portfolio or any part of it;
- (mm) There are no authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or perform its obligations under the Mortgage Sale Agreement and to render the Mortgage Sale Agreement legal, valid, binding and enforceable, and all formal approvals, consents and other steps necessary to permit a legal transfer of the Loans and their Related Security to be sold have been obtained or taken (other than delivery of notices of transfer to the Borrowers and appropriate registration formalities);
- (nn) To the best knowledge and belief of the Seller, no corporate action has been taken or is pending, no other steps have been taken and no legal proceedings have been commenced or are threatened or are pending for its insolvency, winding-up, liquidation or analogous proceedings;
- (oo) The Seller is and has been in material compliance with the requirements of MCOB and ICOB in so far as they apply to any of the Loans or the Related Security at all relevant times, and the Seller has at all relevant times held all authorisations, approvals, licenses, consents and orders required by it under the FSMA in connection with the Loans and the Related Security, and, to the extent that a Loan is or has ever been a 'Regulated Mortgage Contract' under the FSMA, such Loan would be binding on the Borrower and enforceable against it;
- (pp) None of the terms in any Loan or its Related Security is not binding by virtue of it being unfair within the meaning of the UTCCR (except that the Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest or, in the case of a Buy to Let Loan, its right unilaterally to revoke its consent to letting);
- (qq) To the extent that any Loan and its Related Security and any guarantee in relation to that Loan is subject to UTCCR no action (whether formal or informal) has been taken by the OFT or by a qualifying body as defined in the 1999 Regulations against the Seller, pursuant to the UTCCR or otherwise which might prevent or restrict the use in such agreement of any material term or the enforcement of any such term;
- (rr) No agreement for any Loan gives rise (whether on its own or taken together with any related agreement) to an unfair relationship under Sections 140(a) – 140 (d) of the CCA;
- (ss) (In respect of any Loan which is a Buy to Let loan) the relevant tenancy at the point of origination was, so far as the Seller was reasonably aware, and, after that, as far as the Seller is reasonably aware, remains (in England and Wales) an assured shorthold tenancy or would be an assured shorthold or short assured tenancy but for rent payable under such tenancy exceeding the maximum amount prescribed by statute in respect of such tenancies or (in Scotland) a short assured tenancy, and each tenancy agreement as at the time of origination of the relevant Loan was, so far as the Seller was reasonably aware, on terms which would be acceptable to a Reasonable, Prudent Mortgage Lender, and the Seller is not aware of any material breach of such agreement;

- (tt) To the best of the Seller's knowledge, on or prior to the date on which the Borrower executed the relevant Mortgage no Borrower had either had a county court judgment entered against them or been in arrears with another mortgage lender at any point during the 12 months prior to the date of execution of the relevant Mortgage; and
- (uu) No Loan in the Portfolio is a home equity loan and no loan is provided in the context of shared equity transactions;
- (vv) No Loan in the Portfolio is a Right to Buy Loan or a Staff Loan; and
- (ww) No Northern Ireland Loan in the Portfolio is a Buy to Let Loan.

The Seller is required to make some (but, in the case of Product Switches, not all) of the Loan Warranties in relation to each Substitute Loan and in relation to each Loan in respect of which the Seller agrees a Product Switch.

All Substitute Loan Warranties and Product Switch Warranties shall be made by the Seller as at the Collection Period End Date immediately preceding a Purchase Date (which is the Interest Payment Date upon which sale of the relevant Substitute Loan to the Issuer is to be completed), or (in the case of Product Switch Warranties) as at the Collection Period End Date falling at the end of the Collection Period in which the Product Switches were made.

#### ***Repurchase by the Seller for breach of Warranty***

The Seller will agree in the Mortgage Sale Agreement to repurchase any of the Loans together with their Related Security sold by it to the Issuer in the circumstances described in this section.

If there is a material breach of any of the Loan Warranties (as summarised above), or if any of the Loan Warranties or Product Switch Warranties given by the Seller prove to have been materially untrue as at the date on which the Seller is deemed to make the relevant statement, and this breach is continuing at the time of discovery and (where capable of remedy) has not been remedied to the satisfaction of the Issuer (or following enforcement of the Security, the Security Trustee) within 30 Business Days of receipt by the Seller of notice from the Issuer (or following enforcement of the Security, the Security Trustee), the Seller will, upon receipt of a further notice from the Issuer (or following enforcement of the Security, the Security Trustee), repurchase the entire affected Loan and its Related Security from the Issuer on the next Interest Payment Date following receipt of such further notice. The consideration payable in respect of the Loan to be repurchased will be the relevant Loan's Outstanding Principal Balance, together with arrears of interest and accrued interest and un-capitalised charges and expenses thereon (the "**Repurchase Price**"). This aggregate value will be calculated on the basis of the Loan data available to the Seller as at the Collection Period End Date immediately preceding the Interest Payment Date on which repurchase is to be effected. The sum of all amounts of principal, interest or any other amounts received in respect of the relevant Loans during the period from (but excluding) the Collection Period End Date immediately preceding the Interest Payment Date on which repurchase is to be effected, to (and including) such Interest Payment Date (the "**Repurchase Period Collection Amount**") will be for the account of the Seller and will to the extent already transferred to the Issuer be required to be repaid by the Issuer to the Seller on the relevant Interest Payment Date. Any amounts so repayable shall be set off against any payment due to the Issuer of the Repurchase Price in respect of the relevant Loans on the relevant Interest Payment Date. If the relevant breach of warranty is of a Product Switch Warranty, the entire Loan will be repurchased together with its Related Security.

On any Interest Payment Date on which a repurchase is to be effected, the Seller will, subject to the satisfaction of certain conditions, have the option of selling a Substitute Loan to the Issuer, the consideration for which sale will be set off (to the extent it is capable of being so set off) against any Repurchase Price payable on that Interest Payment Date in respect of a Loan to be repurchased. See the section entitled "*Substitute Loans*" below for further details.

A Loan and its Related Security will also be repurchased by the Seller in certain other circumstances where a Product Switch or Further Advance is made. See the sections entitled 'Product Switches' and 'Further Advances' below for further details.

The Seller is required, pursuant to the terms of the Mortgage Sale Agreement, to notify the Issuer and the Security Trustee of any breach of a warranty as soon as the Seller becomes aware thereof.

### **Substitute Loans**

At any time that the Seller is obliged to repurchase a Loan, the Seller will be entitled to sell, and if the Seller elects to so sell the Issuer will purchase, a replacement Loan (a "**Substitute Loan**") on the Interest Payment Date that such repurchase is due to be effected (which will be the "**Purchase Date**" in respect of such Substitute Loan) provided that the following conditions (the "**Substitute Loan Conditions**") are satisfied on such Purchase Date. In making these calculations, the Seller will utilise the data relating to the Portfolio (including any Substitute Loans proposed to be sold by the Seller to the Issuer on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period) as at the most recent Collection Period End Date:

- (a) no Event of Default has occurred and is continuing;
- (b) no Seller Insolvency Event has occurred and is continuing;
- (c) the Seller is not in breach of any obligation on its part to repurchase any Loan in accordance with the provisions of the Mortgage Sale Agreement;
- (d) the relevant Substitute Loan(s) will not be a different type of Loan to the Loans in the Portfolio or, if any Substitute Loan is a new loan product and such new loan product does not form part of the Portfolio on the relevant Purchase Date, (i) the Administrator has provided advance notice in writing to the Rating Agencies and (ii) the Back-up Administrator has confirmed and agreed that it will provide the Back-up Services in respect of such new loan product;
- (e)
  - (i) the weighted average LTV of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period) does not exceed the weighted average LTV ratio of the Loans in the Portfolio as at the Cut-off Date plus 0.50 per cent.; and
  - (ii) if the relevant Loan is an Interest Only Loan, its LTV did not exceed 60 per cent. as at the date of origination of the relevant Loan.

For the purposes of this Substitute Loan Condition, and Product Switch Condition (d), "**LTV**" means the ratio (expressed as a percentage) of:

$$\frac{X}{Y}, \text{ where}$$

"**X**" is the original Outstanding Principal Balance of a Loan as at the date of origination of the relevant Loan; and

"**Y**" is the original valuation of the Property or Properties in relation to which the relevant Loan was advanced as at the date of origination of the relevant Loan;

- (f) any debit balance on the Principal Deficiency Ledger will be reduced to nil on such Purchase Date;
- (g) the aggregate Outstanding Principal Balance of those Loans (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to

a Product Switch during the preceding Collection Period) in respect of which any amount of interest or principal due from the Borrower has been due but unpaid for a period of greater than 90 days does not exceed 5 per cent. of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period);

- (h) the balance of the General Reserve Fund will not be less than the General Reserve Required Amount as at such Purchase Date and the balance of the Liquidity Reserve Fund will not be less than the Liquidity Reserve Required Amount as at such Purchase Date;
- (i) the aggregate Outstanding Principal Balance of the Substitute Loans to be sold on the relevant Purchase Date when added to the amount of Substitute Loans previously purchased, does not exceed 45 per cent. of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio;
- (j) no Further Advance has been made in respect of the relevant Loan;
- (k) the inclusion of the relevant Loan in the Portfolio on and from the relevant Purchase Date will not cause the WAFF and WALs Differential to be equal to or greater than 0.45 per cent. (the "**WAFF and WALs Differential Condition**"). For the purposes of this Prospectus:

"**WAFF and WALs Differential**" means the result of the following equation:

$(\text{WAFF(A)} \times \text{WALS(A)}) - (\text{WAFF(B)} \times \text{WALS(B)})$ , where

"**WAFF(A)**" is the weighted average foreclosure frequency (determined applying S&P's methodology and on the basis of the initial rating of the Class A Notes) of the Portfolio as at the most recent Collection Period End Date (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date or Interest Payment Date, as the case may be, and all Loans subject to a Product Switch during the preceding Collection Period);

"**WALS(A)**" is the weighted average loss severity (determined applying S&P's methodology and on the basis of the initial rating of the Class A Notes) of the Portfolio as at the most recent Collection Period End Date (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date or Interest Payment Date, as the case may be, and all Loans subject to a Product Switch during the preceding Collection Period);

"**WAFF(B)**" is the weighted average foreclosure frequency (determined applying S&P's methodology and on the basis of the initial rating of the Class A Notes) of those Loans comprising the Portfolio as at the most recent Collection Period End Date that were part of the Initial Portfolio; and

"**WALS(B)**" is the weighted average loss severity (determined applying S&P's methodology and on the basis of the initial rating of the Class A Notes) of those Loans comprising the Portfolio as at the most recent Collection Period End Date that were part of the Initial Portfolio; and

- (l) the inclusion of the relevant Loan in the Portfolio on and from the relevant Purchase Date will not cause any of the Substitute Loan Concentration Limits to be exceeded and, if any of the Substitute Loan Concentration Limits have, as at the most recent Collection Period End Date, already been exceeded, the relevant Loan is not of a type in respect of which the Substitute Loan Concentration Limits have been exceeded. For the purposes of this Prospectus the applicable concentration limits (the "**Substitute Loan Concentration Limits**") are as follows:

- (i) the aggregate Outstanding Principal Balance (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period) of those Loans which are Buy to Let Loans does not exceed 30 per cent. of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period);
- (ii) the aggregate Outstanding Principal Balance (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period) of those Loans which are Northern Ireland Loans does not exceed 25 per cent. of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period);
- (iii) the aggregate Outstanding Principal Balance (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period) of those Loans which are Interest Only Loans does not exceed 45 per cent. of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period);
- (iv) the aggregate Outstanding Principal Balance of those Loans (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date, and all Loans subject to a Product Switch during the preceding Collection Period) which are Fixed Rate Loans does not exceed 5 per cent of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period); and
- (v) the aggregate Outstanding Principal Balance of those Loans (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date, and all Loans subject to a Product Switch during the preceding Collection Period) which are Tracker Rate Loans does not exceed 75 per cent of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period).

The Seller may only offer for sale to the Issuer on any Purchase Date Substitute Loans to the extent that each of the Substitute Loan Conditions is and will be satisfied on the relevant Purchase Date. The total consideration payable by the Issuer, in respect of a Substitute Loan sold by the Seller to the Issuer on a Purchase Date, will be an amount equal to the relevant Substitute Loan's Outstanding Principal Balance, together with arrears of interest and accrued interest and uncapitalised charges and expenses thereon as at (and including) the Collection Period End Date immediately preceding the relevant Purchase Date (the "**Substitute Loan Purchase Price**"). This aggregate value will be calculated on the basis of the Loan data available to the Seller as at the Collection Period End Date immediately preceding the relevant Purchase Date. The Issuer's obligation to pay the Substitute Loan Purchase Price in respect of any Substitute Loan will be set off against (and to the extent of) the Seller's obligation to pay the Repurchase Price in respect of any Loan to be repurchased on the relevant Purchase Date. If, following such set-off, a balance remains payable (a) by the Seller, the Seller shall make payments of such balance to the Issuer, or (b) by the Issuer, such balance shall be added to, and therefore be deemed to comprise, Deferred Consideration in respect of the Portfolio.

The Seller must, as a condition to the sale of any Substitute Loans, give the Loan Warranties, as supplemented by an additional warranty that the Substitute Loan Conditions are satisfied (the "**Substitute Loan Warranties**"), in respect of the Substitute Loans to be sold on the relevant Purchase Date but speaking as at the immediately preceding Collection Period End Date. If any of the Substitute Loan Warranties given by the Seller prove to have been materially untrue as at the date on which the Seller is deemed to make the relevant statement, the Seller will be required to repurchase the affected Loan (see "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Repurchase by the Seller for breach of Warranty*") provided that, in the case of a Substitute Loan Warranty proving to be untrue due to a breach of the WAFF and WALs Differential Condition, such Substitute Loan Warranty shall in all circumstances be deemed to be materially untrue but the Seller will only be required to repurchase any affected Loan up to and including the Interest Payment Date immediately following the Purchase Date on which the relevant Substitute Loan Warranty was made.

### **Product Switches**

A Loan will be subject to a "**Product Switch**" if there is any variation of the financial terms and conditions of the Loan other than:

- (a) an addition or a release of a party to the Loan;
- (b) any variation agreed with a Borrower to control or manage arrears on the Loan;
- (c) any variation which extends the maturity date of the Loan;
- (d) any substitution of the Mortgaged Property secured by the Related Security for that Loan;
- (e) any variation imposed by statute; or
- (f) any variation to convert an Interest Only Loan into a Repayment Loan.

The Seller or the Administrator (on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Switch.

In respect of all Product Switches made during a Collection Period, the related Loans will remain in the Portfolio after the date on which the Product Switch is to take effect (the "**Switch Date**"), provided that the following conditions (the "**Product Switch Conditions**") are satisfied on the Interest Payment Date which follows the Switch Date. In making these calculations, the Seller will utilise the data relating to the Portfolio (including the Loans in respect of which a Product Switch has been effected and any Substitute Loans to be purchased on the relevant Interest Payment Date) as at the most recent Collection Period End Date:

- (a) no Event of Default has occurred and is continuing;
- (b) no Seller Insolvency Event has occurred and is continuing;
- (c) only to the extent that an Administrator Termination Event has occurred, the relevant Product Switch is a Non-discretionary Product Switch, and the Back-up Administrator has confirmed and agreed that it will provide the Back-up Services in respect of such Product Switch;
- (d) the weighted average LTV of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date, and all Loans subject to a Product Switch during the preceding Collection Period) does not exceed the weighted average LTV ratio of the Loans in the Portfolio as at the Cut-off Date plus 0.50 per cent.;
- (e) any debit balance on the Principal Deficiency Ledger will be reduced to nil on such Interest Payment Date;



- (f) the aggregate Outstanding Principal Balance of those Loans (including (for the avoidance of doubt) any Substitute Loans to be sold on such Interest Payment Date, and all Loans subject to a Product Switch during the preceding Collection Period) in respect of which any amount of interest or principal due from the Borrower has been due but unpaid for a period of greater than 90 days does not exceed 5 per cent of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Purchase Date and all Loans subject to a Product Switch during the preceding Collection Period);
- (g) the balance of the General Reserve Fund will not be less than the General Reserve Required Amount as at such Interest Payment Date and the balance of the Liquidity Reserve Fund will not be less than the Liquidity Reserve Required Amount as at such Interest Payment Date;
- (h) if any such Product Switch is a new loan product and such new loan product did not form part of the Portfolio on the Issue Date (i) the Administrator has provided advance notice in writing to the Rating Agencies and (ii) the Back-up Administrator has confirmed and agreed that it will provide the Back-up Services in respect of such new loan product;
- (i) the Loan is, following such Product Switch, a Fixed Rate Loan, a Variable Rate Loan, a Discounted Rate Loan, or a Tracker Rate Loan;
- (j) the retention of the relevant Loan in the Portfolio on and from the relevant Interest Payment Date will not cause a breach of the WAFF and WALs Differential Condition; and
- (k) the retention of the relevant Loan in the Portfolio on and from the relevant Interest Payment Date will not cause any of the Product Switch Concentration Limits to be exceeded and, if any of the Product Switch Concentration Limits have, as at the most recent Collection Period End Date, already been exceeded, the relevant Loan is not of a type in respect of which the Product Switch Concentration Limits have been exceeded. For the purposes of this Prospectus the applicable concentration limits (the "**Product Switch Concentration Limits**") are as follows:
  - (i) the aggregate Outstanding Principal Balance of those Loans (including (for the avoidance of doubt) any Substitute Loans to be sold on such Interest Payment Date, and all Loans subject to a Product Switch during the preceding Collection Period) which are Interest Only Loans does not exceed 45 per cent of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Interest Payment Date and all Loans subject to a Product Switch during the preceding Collection Period);
  - (ii) the aggregate Outstanding Principal Balance of those Loans (including (for the avoidance of doubt) any Substitute Loans to be sold on such Interest Payment Date, and all Loans subject to a Product Switch during the preceding Collection Period) which are Fixed Rate Loans does not exceed 5 per cent of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Interest Payment Date and all Loans subject to a Product Switch during the preceding Collection Period); and
  - (iii) the aggregate Outstanding Principal Balance of those Loans (including (for the avoidance of doubt) any Substitute Loans to be sold on such Interest Payment Date, and all Loans subject to a Product Switch during the preceding Collection Period) which are Tracker Rate Loans does not exceed 75 per cent of the aggregate Outstanding Principal Balance of all of the Loans in the Portfolio (including (for the avoidance of doubt) any Substitute Loans to be sold on such Interest Payment Date and all Loans subject to a Product Switch during the preceding Collection Period).

If, in remaining within the Portfolio, the relevant Loans subject to a Product Switch during a Collection Period would result in any of the Product Switch Conditions not being satisfied on the relevant Interest Payment Date, then the Seller is required to notify the Issuer and the Security Trustee as soon as the Seller becomes aware thereof.

To the extent that Loans subject to a Product Switch during a Collection Period do not satisfy the Product Switch Conditions, the Seller will be required to repurchase such Loans and their Related Security. The consideration payable in respect of any Loan to be so repurchased shall be determined and settled in accordance with the same mechanics as would apply in respect of any repurchase of such Loan were it to be repurchased for breach of warranty, as to which see "*Summary of Key Transaction Documents – Mortgage Sale Agreement – Repurchase by Seller for breach of Warranty*" above.

The Seller must, in relation to the Loans which are subject to Product Switches, give the representations and warranties in respect of Product Switches set out in the Mortgage Sale Agreement on the relevant Interest Payment Date but speaking as at the immediately preceding Collection Period End Date. These representations and warranties broadly correspond to a reduced set of the Loan Warranties given by the Seller as at the Cut-off Date and summarised above, as supplemented by an additional warranty that the Product Switch Conditions are satisfied ("**Product Switch Warranties**"). If any of the Product Switch Warranties given by the Seller prove to have been materially untrue as at the date on which the Seller is deemed to make the relevant statement, the Seller will be required to repurchase the affected Loan (see "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Repurchase by the Seller for breach of Warranty*") provided that, in the case of a Product Switch Warranty proving to be untrue due to a breach of the WAFF and WALS Differential Condition, such Product Switch Warranty shall in all circumstances be deemed to be materially untrue but the Seller will only be required to repurchase any affected Loan up to and including the Interest Payment Date immediately following the Interest Payment Date on which the relevant Product Switch Warranty was made.

#### **Further Advances**

A "**Further Advance**", for the purposes of this Prospectus, is a further amount lent to a Borrower under the Loan after the Cut-off Date, which amount is secured by the same Mortgaged Property as the Loan.

Under the Mortgage Sale Agreement, the Issuer has agreed that the Seller or the Administrator (on behalf of the Seller) may accept an application from, or make an offer to, any Borrower for a Further Advance. If the Seller or the Administrator (on behalf of the Seller) accepts an application from a Borrower for, or offers (which offer is accepted by a Borrower), a Further Advance, the Seller or the Administrator (on behalf of the Seller) will be solely responsible for documenting and funding the relevant Further Advance.

If the Seller has made any Further Advances in respect of any Loans during a Collection Period, the Seller is required to notify the Issuer and the Security Trustee of that fact as soon as reasonably practicable following the Collection Period End Date relating to the relevant Collection Period and, on the Interest Payment Date immediately following receipt by the Seller of notice from the Issuer or (following enforcement of the Security) the Security Trustee, shall repurchase the relevant Loans and their Related Security from the Issuer. The consideration payable in respect of any Loan to be so repurchased shall be determined and settled in accordance with the same mechanics as would apply in respect of any repurchase of such Loan were it to be repurchased for breach of warranty, as to which see "*Summary of Key Transaction Documents – Mortgage Sale Agreement – Repurchase by Seller for breach of Warranty*" above.

#### **Governing Law**

English law, provided that any terms particular to Scots law (in particular those relating to the sale or transfer of Scottish Loans and their Related Security) shall be construed in accordance with Scots law, and any terms which are particular to Northern Irish law (in particular those relating to

the sale or transfer of Northern Ireland Loans and their Related Security) shall be construed in accordance with Northern Irish law.

### **Administration Agreement**

The parties to the "**Administration Agreement**" will be the Issuer, the Security Trustee, the Seller and the Administrator.

On the Issue Date, AIB (in such capacity, the "**Administrator**") will be appointed by the Issuer under the Administration Agreement as its agent to administer the Loans and their Related Security that it has sold to the Issuer in its capacity as Seller. The Administrator will undertake to comply with any proper directions and instructions that the Issuer or (following the enforcement of the Security) the Security Trustee may from time to time give to it in accordance with the provisions of the Administration Agreement. The Administrator is required to administer the relevant Loans and their Related Security in the following manner:

- (a) in accordance with the Administration Agreement; and
- (b) as if the relevant Loans and Mortgages had not been sold to the Issuer but remained with the Seller, and in accordance with the Seller's procedures and administration and enforcement policies as they apply to the relevant Loans from time to time.

The Administrator's actions in administration of the relevant Loans in accordance with its procedures and the Administration Agreement are binding on the Issuer. The Administrator will also be appointed by the Seller under the Administration Agreement to be its agent to administer the relevant Loans and their Related Security in the making of any Further Advances and/or Product Switches.

### **Delegation**

The Administrator may, in some circumstances, delegate or subcontract some or all of its responsibilities and obligations under the Administration Agreement to another entity (including within the AIB group of companies) whilst retaining primary responsibility for their performance. The Administrator remains liable at all times for the administration of the relevant Loans and for the acts or omissions of any delegate or subcontractor.

### **Powers**

Subject to the guidelines for administration set forth above, the Administrator will have the power, among other things:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the relevant Loans and their Related Security and to perform its duties in relation to the relevant Loans and their Related Security; and
- (b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the administration of the relevant Loans and their Related Security or the exercise of such rights, powers and discretions.

### **Undertakings by the Administrator**

The Administrator will undertake, in relation to the Loans and their Related Security that the Seller has sold to the Issuer, among other things, the following:

- (a) to maintain all approvals, authorisations, permissions, consents and licences required by it in order to properly administer the Loans and their Related Security and to perform or comply with its obligations under the Administration Agreement;
- (b) to determine, set and maintain (to the extent that the Seller is so permitted by the terms which apply to each such Loan in the Portfolio) the variable rate applicable to any Variable

Rate Loan, Discounted Rate Loan and Tracker Rate Loan in the Portfolio (the "**Issuer Variable Rate**"), except in the circumstances described in paragraph (c) below;

- (c) to not at any time, without the prior consent of the Issuer, set or maintain in relation to any Loan (to the extent that the Seller is so permitted by the terms which apply to each such Loan) an Issuer Variable Rate which is higher than (although it may be lower than or equal to) the then prevailing Seller Standard Variable Rate or Tracker Rate which applies to loans of an equivalent type and beneficially owned by the Seller outside the Portfolio;
- (d) to the extent so required by the terms of the Loans and applicable law, to notify the relevant Borrowers of any change in interest rates;
- (e) to keep the Borrower files and title information documents in safe custody (including electronic records) and maintain records necessary to enforce each Loan and its Related Security, to ensure that each title information document is capable of identification and retrieval and to ensure the Borrower files and title information documents are identifiable from Borrower files and title information documents which relate to loans of the Seller held outside the Portfolio;
- (f) to provide the Issuer and the Security Trustee (and their agents) with access to the title information documents and other records relating to the administration of the Loans and Related Security;
- (g) to prepare a report on a quarterly basis about all the Loans in the Portfolio substantially in the form set out in the Administration Agreement (each, an "**Administrator Report**") and provide such Administrator Report to the Cash Manager;
- (h) 15 Business Days after each Collection Period End Date, to make available on the website <https://www.structuredfn.com/portal/company/?sfn/deal/Tenterden%20Funding%20P1c> certain information relating to the Loans in the Portfolio;
- (i) to undertake enforcement of the Loans and their Related Security and to recover the proceeds on behalf of the Issuer; and
- (j) not knowingly, having taken all steps to verify the same as may be expected of a Reasonable, Prudent Mortgage Lender, fail to comply with any legal requirements in the performance of its obligations under the Administration Agreement.

In this Prospectus, "**Seller Standard Variable Rate**" means the rate set by AIB by reference to the general level of interest rates and competitor rates in the UK mortgage market, which is the 'Allied Irish Bank (GB) Standard Variable Rate' in the case of Loans originated by the Seller under the name 'Allied Irish Bank (GB)', and the 'First Trust Bank Standard Variable Rate' in the case of Loans originated by the Seller under the name 'First Trust Bank'.

The Issuer and (following enforcement of the Security) the Security Trustee may terminate the authority of the Administrator in determining and setting the Issuer Variable Rate on or after the occurrence of an Administrator Termination Event (as defined under the section entitled *Removal or resignation of an Administrator* below). Thereafter the Issuer (or Security Trustee as applicable) or a duly appointed agent will set the Issuer Variable Rate (to the extent that the Seller was so permitted by the terms which apply to each such Loan in the Portfolio);

#### ***Transfers of Collections from Seller Collection Accounts***

During each Collection Period (but, for the avoidance of doubt, excluding the period between the Cut-Off Date and the Issue Date, in relation to which amounts due will be transferred two Business Days after the Issue Date), the Administrator will transfer to the Transaction Account on the second Business Day after receipt an amount equal to all amounts received from the Borrowers under the Loans or recovered from the enforcement of their Related Security.

In this Prospectus, the term "**Collection Period**" means each three month period from (but excluding) a Collection Period End Date (or in the case of the first Collection Period, from (and excluding) the Cut-off Date) to (and including) the following Collection Period End Date (or, in the case of the first Collection Period, the first Collection Period End Date); and "**Collection Period End Date**" means each the last day of February, May, August and November in each year, commencing on the last day of August 2012.

The requirement for any action to be taken according to the standards of a "**Reasonable, Prudent Mortgage Lender**" means a reasonable prudent prime residential mortgage lender lending to borrowers in England, Wales, Northern Ireland and/or Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital.

#### ***Compensation of the Administrator***

The Administrator receives a fee (payable on each Interest Payment Date) for servicing the Loans (the "**Administration Fee**") (inclusive of VAT, if applicable) of 0.15 per cent. per annum on the aggregate Outstanding Principal Balance of the Loans comprising the Portfolio as at the opening of business on the first day of the preceding Collection Period, which fee is payable in accordance with the then applicable Priority of Payments.

#### ***Removal or Resignation of the Administrator***

The Issuer with the written consent of the Security Trustee, or (following enforcement of the Security) the Security Trustee itself, (in the case of (a) or (b) below) may at any time and (in the case of (c) below) shall at once, upon written notice to the Administrator, terminate the Administrator's rights and obligations immediately if any of the following events (each an "**Administrator Termination Event**") occurs:

- (a) default is made by the Administrator in the payment or transfer of any amount due under the Administration Agreement or any other Transaction Document to which it is a party and such default continues unremedied for a period of 20 Business Days after the earlier of the Administrator becoming aware of such default and receipt by the Administrator of written notice from the Issuer or (following enforcement of the Security) the Security Trustee, as the case may be, requiring that default to be remedied;
- (b) default is made by the Administrator in the performance or observance of any of its other covenants or obligations under the Administration Agreement or any other Transaction Document to which it is a party, which in the opinion of the Security Trustee is materially prejudicial to the interests of the Secured Creditors, provided that in the event of any conflict between the interests of the Noteholders and the other Secured Creditors the Security Trustee will have regard to the interests of the Noteholders only, and (only if, in the opinion of the Security Trustee, the default is capable of remedy) such default continues unremedied for a period of 20 Business Days after the earlier of the Administrator becoming aware of such default and receipt by the Administrator of written notice from the Issuer or (following enforcement of the Security) the Security Trustee, as the case may be, requiring that default to be remedied provided however that where the relevant default occurs as a result of a default by any person to whom the Administrator has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute an Administrator Termination Event if, within such period of 20 Business Days, the Administrator terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following enforcement of the Security) the Security Trustee may in its absolute discretion specify to remedy such default or to indemnify the Issuer and/or the Security Trustee against the consequences of such default; or
- (c) the occurrence of an Insolvency Event in relation to the Administrator.

The Administrator may voluntarily resign by giving not less than 12 months' (or shorter period if a replacement administrator is in place) notice to the Issuer and the Security Trustee. Any termination of the appointment of the Administrator following such voluntary resignation will be

subject to the condition that the Issuer appoints a substitute administrator who has experience of administering mortgages in the United Kingdom by entering into an administration agreement with the Issuer and the Security Trustee pursuant to and in accordance with the provisions of the Administration Agreement. Such appointment must be effective no later than the date of such termination and the Administrator shall not be released from its obligations under the relevant provisions of the Administration Agreement until such substitute administrator has entered into such new agreement. In the absence of another substitute administrator being appointed within the 12 month notice period, the Issuer will be required to take such steps as are required under the Back-up Administration Agreement to require the Back-up Administrator to administer the Loans following the resignation of the Administrator. It is a further condition precedent to the resignation of the Administrator that the then current ratings of the Class A Notes are not adversely affected as a result of the resignation, unless the Class A Noteholders otherwise agree by an Extraordinary Resolution.

If the appointment of the Administrator is terminated, the Administrator must, (a) deliver the title information documents and Borrower files relating to the relevant Loans and Related Security to the Back-up Administrator, or otherwise at the direction of the Issuer and (b) by no later than the third Business Day following the termination of such appointment procure that payments that were to be made into the Seller Collection Credit Accounts in respect of the Loans (together with an amount at least equal to the balances which derive from or are related to the Loans and are for the account of the Issuer, less an amount equal to the debit balance deriving from or related to the Loans on the Seller Collection Debit Account) are transferred to the Issuer Collection Accounts. In addition, the Administrator will undertake to deliver (or take such steps as are necessary for the Back-up Administrator to be able to deliver), as soon as reasonably possible following the transfer of payments that were to be made into the Seller Collection Credit Accounts in respect of the Loans and an amount equal to their balances as aforesaid, to the Bankers Automated Clearing System and/or the Account Bank, as required, such instructions as may be necessary from time to time for the debit of the accounts of Borrowers subject to direct debit mandates to the Issuer Collection Accounts, and to notify (or take such steps as are necessary for the Back-up Administrator to be able to notify), as soon as reasonably possible after the termination of its appointment, those Borrowers who do not make payments by way of direct debit of the requirement to make all future payments into the Issuer Collection Accounts and to transfer (or take such steps as are necessary for the Back-up Administrator to be able to transfer) to the Issuer Collection Accounts an amount equal to any collections received by the Seller in respect of the Loans from Borrowers who fail to comply with directions to make payments to the Issuer Collection Accounts.

Where a substitute administrator is appointed or the Back-up Administrator begins administering the Loans following the occurrence of an Administrator Termination Event, whether following an Administrator Termination Event or the voluntary resignation by the Administrator, the Issuer's costs and expenses associated with the transfer of administration to the substitute administrator or the Back-up Administrator (the "**Transfer Costs**") will be paid by the Administrator. Where the Administrator fails to pay such Transfer Costs, the Issuer shall pay such Transfer Costs using the balance standing to the credit of the Transition Reserve Fund or to the extent that such balance is insufficient, in accordance with the Pre-Acceleration Revenue Priority of Payments.

#### ***Liability of the Administrator***

The Administrator will indemnify each of the Issuer and the Security Trustee against all losses, liabilities, claims, expenses or damages incurred as a result of gross negligence, fraud or wilful default by the Administrator in carrying out its functions as administrator under the Administration Agreement or any other Transaction Document to which it is party or as a result of a breach by the Administrator of the terms of the Administration Agreement or the other Transaction Documents to which it is party in relation to such functions.

### **Governing Law**

English law.

### **Back-up Administration Agreement**

The parties to the "**Back-up Administration Agreement**" will be the Issuer, the Security Trustee, the Back-up Administrator, the Seller and the Administrator.

On the Issue Date, the Back-up Administrator will be appointed by the Issuer under the Back-up Administration Agreement to be the back-up administrator in respect of the Portfolio and as its lawful agent on its behalf, following Invocation (as defined below), to administer the Loans and their Related Security sold to the Issuer. The Back-up Administrator will undertake to comply with any proper directions and instructions that the Issuer or (following the enforcement of the Security) the Security Trustee may from time to time give to it in accordance with the provisions of the Back-up Administration Agreement. Following Invocation, the Back-up Administrator is required to administer the relevant Loans and their Related Security in the following manner:

- (a) in accordance with the Back-up Administration Agreement (including the service specification appended thereto, as the same may be amended from time to time); and
- (b) in such manner and with the same level of skill, care and diligence and devoting the same amount of time and attention to the performance of the services and its obligations under the Back-up Administration Agreement as would a Reasonable, Prudent Mortgage Administrator.

In this Prospectus, "**Reasonable, Prudent Mortgage Administrator**" means a reasonably prudent mortgage administrator operating in the United Kingdom prime residential mortgage administration outsourcing industry and who follows generally accepted good practice within that industry.

The Issuer may at any time following receipt or delivery by the Issuer of notice of termination of the appointment of the Administrator under the Administration Agreement for any reason serve written notice on the Back-up Administrator requiring it to commence providing the administration services in respect of the Portfolio (a) in the case of a termination following the occurrence of an Administration Termination Event, no later than the third Business Day following the date on which the Back-up Administrator receives such notice (or, if such day is not a Business Day, the immediately following Business Day) and (b) in all other cases within 60 days of that date. For the purposes of this Prospectus, "**Invocation**" will occur on the service of notice on the Back-up Administrator by the Issuer as described above.

### **Powers**

Subject to the guidelines for administration set out above, following Invocation the Back-up Administrator will have the power, among other things:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the relevant Loans and their Related Security and to perform its duties in relation to the relevant Loans and their Related Security; and
- (b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the administration of the relevant Loans and their Related Security or the exercise of such rights, powers and discretions.

### **Transfers of Collections from Issuer Collection Accounts**

As described in the section of this Prospectus entitled "*Summary of the Key Transaction Documents – Administration Agreement-Removal or Resignation of the Administrator*", if the appointment of the Administrator is terminated, payments in respect of the Loans that were made into the Seller Collection Credit Accounts are required to be transferred into the Issuer Collection Accounts and the Administrator will be required to (amongst other things) deliver (or take such

steps as are necessary for the Back-up Administrator to be able to deliver), as soon as reasonably possible following such transfer, to the Bankers Automated Clearing System and/or the Account Bank, as required, such instructions as may be necessary from time to time for the debit of the accounts of Borrowers subject to direct debit mandates to the Issuer Collection Accounts, and to notify (or take such steps as are necessary for the Back-up Administrator to be able to notify), as soon as reasonably possible after the termination of its appointment, those Borrowers who do not make payments by way of direct debit of the requirement to make all future payments into the Issuer Collection Accounts.

During each Collection Period following Invocation, the Back-up Administrator will transfer to the Transaction Account on the second Business Day after receipt an amount equal to all amounts received into the Issuer Collection Accounts from the Borrowers under the Loans or recovered from the enforcement of their Related Security.

### ***Compensation of the Back-up Administrator***

The Back-up Administrator will receive the following fees for acting as Back-up Administrator:

- (a) on each Interest Payment Date before Invocation, an amount equal to the greater of (i) 0.02 per cent per annum of the aggregate Outstanding Principal Balance of all Loans comprising the Portfolio as at the opening of business on the first day of the Collection Period just ended and (ii) £25,000;
- (b) upon Invocation, a one-off invocation fee (the "**Invocation Fee**") of £50,000; and
- (c) on each Interest Payment Date following Invocation, the following amounts:
  - (i) an amount equal to 0.135 per cent per annum of the aggregate Outstanding Principal Balance of all Loans comprising the Portfolio as at the opening of business on the first day of the Collection Period just ended;
  - (ii) £50 per month, per Loan in respect of which the Back-up Administrator is actively managing arrears; and
  - (iii) £120 per Loan redemption as a redemption processing fee.

The fees of the Back-up Administrator are exclusive of VAT.

### ***Removal or Resignation of the Back-up Administrator***

If any of the following events (each a "**Back-up Administrator Termination Event**") shall occur:

- (a) a default is made by the Back-up Administrator in the payment or transfer on the due date of any amount due save that where such default is due to a Force Majeure Event, such default shall not be a Back-up Administrator Termination Event provided that (i) the Back-up Administrator could not have avoided such default through commercially reasonable efforts; (ii) such default does not continue for more than five Business Days; (iii) during such period the Back-up Administrator uses all commercially reasonable efforts to perform its obligations under the Back-up Administration Agreement; and (iv) the Back-up Administrator provides the Issuer with prompt notice of such default including a description of the Back-up Administrator's efforts to remedy such default;
- (b) a default is made by the Back-up Administrator in the performance or observance of any of its other covenants or obligations under the Back-up Administration Agreement or any other Transaction Document, which in the opinion of the Security Trustee is materially prejudicial to the interests of the Secured Creditors, provided that in the event of any conflict between the interests of the Noteholders and the other Secured Creditors the Security Trustee will have regard to the interests of the Noteholders only, and (only if, in the opinion of the Security Trustee, the default is capable of remedy) such default continues unremedied for a period of 20 Business Days after the earlier of the Back-up



Administrator becoming aware of such default and receipt by the Back-up Administrator of written notice from the Issuer or (following enforcement of the Security) the Security Trustee, as the case may be, requiring that default to be remedied, provided however that where the relevant default occurs as a result of a default by any person to whom the Back-up Administrator has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Back-up Administrator Termination Event if, within such period of 20 Business Days, the Back-up Administrator terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following enforcement of the Security) the Security Trustee may in its absolute discretion specify to remedy such default or to indemnify the Issuer and/or the Security Trustee against the consequences of such default; or

(c) the occurrence of an Insolvency Event in relation to the Back-up Administrator,

then the Issuer with the written consent of the Security Trustee, or (following enforcement of the Security) the Security Trustee itself (in the case of (a) or (b) above) may, at once or at any time thereafter while such default continues and (in the case of (c) above) shall at once by notice in writing to the Back-up Administrator and each of the Rating Agencies terminate its appointment as the Back-up Administrator under the Back-up Administration Agreement with effect from a date (not earlier than the date of the notice) specified in the notice.

The Back-up Administrator may voluntarily resign upon the expiry of not less than 6 months' written notice of termination given by the Back-up Administrator to the Issuer and the Security Trustee (or one month's written notice if a default is made by the Issuer in the payment on the due date of any amount due save that where such default is due to a Force Majeure Event, provided that (i) the Issuer could not have avoided such default through commercially reasonable efforts; (ii) such default does not continue for more than 20 Business Days; (iii) during such period the Issuer uses all commercially reasonable efforts to perform its obligations under the Back-up Administration Agreement; and (iv) the Issuer provides the Back-up Administrator with prompt notice of such default (including a description of the Issuer's efforts to remedy such default).

Any termination of the appointment of the Back-up Administrator will be subject to the condition that the Issuer appoints a substitute administrator (or, if such substitution occurs prior to Invocation, substitute back-up administrator) who has experience of administering mortgages in the United Kingdom by entering into a back-up administration agreement with the Issuer, the Security Trustee and, if such termination occurs prior to a Perfection Event, the Seller pursuant to and in accordance with the provisions of the Back-up Administration Agreement. Such appointment must be effective no later than the date of such termination and the Back-up Administrator shall not be released from its obligations under the relevant provisions of the Back-up Administration Agreement until such substitute administrator (or substitute back-up administrator) has entered into such new agreement. It is a further condition precedent to the resignation of the Back-up Administrator that the then current ratings of the Class A Notes are not adversely affected as a result of the resignation, unless the Class A Noteholders otherwise agree by an Extraordinary Resolution.

Upon receipt of a notice of voluntary resignation, the Issuer and, if such termination occurs prior to a Perfection Event, the Seller shall use reasonable endeavours to appoint a suitable experienced substitute administrator (or substitute back-up administrator) prior to the date specified in the relevant notice. In the absence of a substitute administrator (or substitute back-up administrator) being appointed prior to such date, the Back-up Administrator shall be entitled, with the prior approval of the Security Trustee, to appoint (acting on behalf of the Issuer) a substitute administrator, (or substitute back-up administrator, as the case may be) pursuant to and in accordance with the provisions of the Back-up Administration Agreement.

In addition, if the Back-up Administrator's appointment is to be terminated prior to Invocation, the Administrator shall use best efforts to procure the appointment of a substitute back-up administrator which meets the requirements for a substitute back-up administrator summarised above.

Any Transfer Costs properly incurred by the Issuer or the Security Trustee upon termination of the appointment of the Back-up Administrator will be paid by the Back-up Administrator, unless such termination occurs following a default by the Issuer in the payment on the due date of any amount due under the Back-up Administration Agreement, in which case any Transfer Costs will be paid by the Issuer.

In this Prospectus, "**Force Majeure Event**" means:

- (a) at all times in respect of the Issuer and in respect of the Back-up Administrator only prior to (and including) Invocation, an event beyond the reasonable control of the Back-up Administrator (or, where applicable, the Issuer) including strike, lock-out, labour dispute, act of God, war, riot, civil commotion, malicious damage, accident, breakdown of plant or machinery, computer software, hardware or system failure, fire, flood and/or storm; and
- (b) in respect of the Back-up Administrator following Invocation, an event beyond the reasonable control of the Back-up Administrator but only to the extent the same is not addressed by the Back-up Administrator's business contingency plan or, if such event is not so addressed, to the extent that the same would not be reasonably expected to be addressed by such equivalent contingency plan as a Reasonable, Prudent Mortgage Administrator would be expected to have in place.

### **Governing Law**

English Law.

### **Deed of Charge**

On the Issue Date, the Issuer will enter into a deed of charge (the "**Deed of Charge**") with, *inter alios*, the Security Trustee.

### **Security**

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, among other things, the following security (the "**Security**" with any property charged or otherwise expressed to be encumbered by a security interest by the Issuer pursuant to the Deed of Charge, being the "**Charged Property**" for the purposes of this Prospectus):

- (a) a first fixed charge over the Issuer's interest in the English Loans, the Northern Ireland Loans and their Related Security and other related rights comprised in the Portfolio;
- (b) an assignation in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trusts declared by the Seller pursuant to the Scottish Declarations of Trust);
- (c) an assignment by way of security of (and, to the extent not assigned, a first fixed charge over) the Issuer's right, title, interest and benefit in and to the Transaction Documents to which the Issuer is a party;
- (d) a first fixed charge (which may take effect as a floating charge) over the Issuer's interest in the Bank Accounts and any sums standing to the credit thereof; and
- (e) without prejudice to any fixed security, a floating charge over all the Issuer's undertaking, property and assets (present and future).

In respect of the property, rights and assets referred to in paragraph (b) above, fixed security will be created over such property, rights and assets sold to the Issuer after the Issue Date by means of Scottish supplemental charges (each a "**Scottish Supplemental Charge**") or, following a Perfection Event, a Scottish standard security (a "**Scottish Sub-Security**"), in each case pursuant to the Deed of Charge.

The secured creditors of the Issuer will include the Security Trustee, the Note Trustee, any Receiver or other Appointee of the Security Trustee or the Note Trustee, the Noteholders, the Seller, the Administrator and certain other parties (the "**Secured Creditors**").

***Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments***

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 8 (*Events Of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Transaction Account in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, as applicable, described in the section of this Prospectus entitled '*Cashflows*'.

***Post-Acceleration Priority of Payments***

After the Note Trustee has served a Note Acceleration Notice on the Issuer pursuant to Condition 8 (*Events Of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee shall apply the monies available in accordance with the Post-Acceleration Priority of Payments described in the section of this Prospectus entitled "*Cashflows*".

***Governing Law***

English law (provided that any terms which are particular to the law of Scotland shall be governed by and construed in accordance with Scots law and any terms which are particular to the laws of Northern Ireland shall be governed by and construed in accordance with Northern Irish law).

***Cash Management Agreement***

On the Issue Date, Deutsche Bank AG, London Branch as the Cash Manager, the Issuer, and the Security Trustee will enter into the "**Cash Management Agreement**".

***Cash Management Services to be provided to the Issuer***

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be instructing payments to and from the GIC Account and the Transaction Account as more particularly described in the section of this Prospectus entitled "*Cashflows*", as well as recording the transaction cash movements in certain ledgers. It will also have certain other duties, including the preparation and publication of a quarterly report in relation to the Portfolio and the Notes (each, an "**Investor Report**"). Each quarterly Investor Report will be made available to the Issuer, the Security Trustee, the Noteholders, the Seller, the Back-up Administrator and the Rating Agencies via the Cash Manager's internet website currently located at <https://tss.sfs.db.com/investpublic>.

***Remuneration of Cash Manager***

The Cash Manager shall be paid a fee (exclusive of any VAT, if applicable) for its cash management services under the Cash Management Agreement quarterly in arrear on each Interest Payment Date.

***Termination of appointment of Cash Manager***

If any of the following events ("**Cash Manager Termination Events**") shall occur:

- (a) default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default (where capable of remedy) continues unremedied for a period of five Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following enforcement of the Security) the Security Trustee, as the case may be, requiring the same to be remedied; or

- (b) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the opinion of the Security Trustee is materially prejudicial to the interests of the Secured Creditors, provided that in the event of any conflict between the interests of the Noteholders and the other Secured Creditors the Security Trustee shall have regard to the Noteholders only, and such default, only where (in the opinion of the Security Trustee) capable of remedy, continues unremedied for a period of 20 Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following enforcement of the Security) the Security Trustee, as the case may be, requiring the same to be remedied; or
- (c) an Insolvency Event with respect to the Cash Manager occurs,

then the Issuer may, with the written consent of the Security Trustee, or (following enforcement of the Security) the Security Trustee itself may, at once or at any time thereafter while such default continues, by notice in writing to the Cash Manager terminate its appointment as Cash Manager with effect from a date (not earlier than the date of the notice) specified in the notice and thereafter all authority and power of the Cash Manager under the Cash Management Agreement shall be terminated and be of no further effect and the Cash Manager shall not thereafter hold itself out in any way as the agent of the Issuer or the Security Trustee pursuant to the Cash Management Agreement. No termination of the appointment of the Cash Manager shall be effective until a replacement cash manager, whose short term unsecured, unguaranteed and unsubordinated debt obligations are rated at least the Requisite Ratings, has been appointed by the Issuer pursuant to and in accordance with the provisions of the Cash Management Agreement.

#### **Governing Law**

English law.

#### **Bank Account Agreement**

Pursuant to the terms of the "**Bank Account Agreement**" entered into on the Issue Date between the Issuer, the Account Bank, the GIC Provider, the Cash Manager, the Seller, the Back-up Administrator and the Security Trustee, the Issuer will maintain with the Account Bank the Transaction Account, the Issuer Collection Accounts and the GIC Account (the "**Bank Accounts**").

All amounts received from Borrowers in respect of Loans in the Portfolio will be transferred from the Seller Collection Accounts to the Transaction Account in accordance with the Administration Agreement (or following Invocation, from the Issuer Collection Accounts to the Transaction Account in accordance with the Back-up Administration Agreement). Amounts standing to the credit of the Transaction Account at close of business on each Business Day will be transferred to the GIC Account. On or prior to each Interest Payment Date, amounts standing to the credit of the GIC Account constituting Available Revenue Receipts or Available Principal Receipts will be transferred from the GIC Account to the Transaction Account and applied by the Cash Manager pursuant to the Cash Management Agreement and in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments. After the Note Trustee has served a Note Acceleration Notice on the Issuer pursuant to Condition 8 (*Events of Default*) of the Notes, amounts standing to the credit of the Bank Accounts shall (subject always to the Deed of Charge) be applied by the Security Trustee in accordance with the Post-Acceleration Priority of Payments. The Priorities of Payment are described in the section of this Prospectus entitled "*Cashflows*".

The short term unguaranteed, unsubordinated and unsecured debt obligations of the Account Bank are rated F1 by Fitch and A-1 by S&P and the long term unguaranteed, unsubordinated and unsecured debt obligations of the Account Bank are rated A by Fitch and A+ by S&P, in each case as at the date of this Prospectus. If, at any time the Account Bank ceases to have the Requisite Ratings, the Issuer will be required (within 30 days) to arrange for the transfer (at its own cost) of the Bank Accounts to, or procure a guarantee of the Account Bank's obligations in respect of the Bank Accounts from, a bank or financial institution having the Requisite Ratings chosen by the

Issuer with the prior consent of the Security Trustee pursuant to and in accordance with the provisions of the Bank Account Agreement. The Issuer will also be required to transfer the Bank Accounts if the Account Bank ceases to be an institution authorised to carry on banking business (including accepting deposits) under the FSMA. Provided that it has the required ratings and authorisations at the relevant time, AIB may act as replacement Account Bank on the termination of the appointment of the Account Bank.

For the purposes of this Prospectus, "**Requisite Ratings**" means, in respect of the relevant entity:

- (a) the short term unsecured unsubordinated and unguaranteed debt obligations of that entity are rated at least F1 by Fitch and the long term unsecured, unsubordinated and unguaranteed debt obligations of that entity are rated at least A by Fitch
- (b) the short term unsecured unsubordinated and unguaranteed debt obligations of that entity are rated at least A-1 by S&P and the long term unsecured, unsubordinated and unguaranteed debt obligations of that entity are rated at least A by S&P, provided that if the relevant entity does not have a short term rating, the long term unsecured, unsubordinated and unguaranteed debt obligations of that entity are rated at least A+ by S&P,

or such other short term or long term rating which is otherwise consistent with the published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes.

#### **Governing Law**

English Law.

#### **Guaranteed Investment Contract**

Pursuant to the terms of the guaranteed investment contract entered into on the Issue Date between the Issuer, the Cash Manager, the GIC Provider and the Security Trustee (the "**Guaranteed Investment Contract**" or "**GIC**"), the GIC Provider has agreed to pay interest on the monies standing to the credit of the GIC Account at specified rates determined in accordance with the Guaranteed Investment Contract.

Upon termination of the Bank Account Agreement or when the GIC Account is closed pursuant to the Bank Account Agreement or if the GIC Provider ceases to have the Requisite Ratings or be an institution authorised to carry on banking business (including accepting deposits) under the FSMA, the Guaranteed Investment Contract will terminate and the Issuer will give written notice of termination to the GIC Provider.

#### **Governing Law**

English Law.

#### **Other Agreements**

For a description of the Subordinated Loan Agreement, investors should see the section of this Prospectus entitled '*Credit Structure*' below.

## CREDIT STRUCTURE

The structure of the credit support arrangements may be summarised as follows:

### 1. Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the interest payable on the Class A Notes. The actual amount of any Available Revenue Receipts will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency Ledger entries which may arise from Losses realised in respect of any of the Loans in the Portfolio, or to reimburse Principal Receipts which have been reallocated to cover previous Income Deficits.

On each Interest Payment Date from and including the Step-Up Date, an amount equal to the lesser of (a) the aggregate Principal Amount Outstanding of the Class A Notes on the relevant Interest Payment Date, after taking account of any other Available Principal Receipts to be applied towards repayment of Principal Amounts Outstanding in respect of the Class A Notes on the relevant Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments, and (b) the remaining Available Revenue Receipts, after taking account of any amounts which are to be applied to cover items (a) to (g)(i) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on the relevant Interest Payment Date, will be applied as Available Principal Receipts to reduce the Principal Amount Outstanding of the Class A Notes in accordance with the Pre-Acceleration Principal Priority of Payments.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met in priority to item (f) of the Pre-Acceleration Revenue Priority of Payments, such excess is available to replenish and increase, first, the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount and, second, the Liquidity Reserve Fund up to and including an amount equal to the Liquidity Reserve Required Amount.

### 2. Income Deficiency

On each Calculation Date, the Cash Manager, pursuant to the terms of the Cash Management Agreement, will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of the items described in (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments. To the extent that Available Revenue Receipts are insufficient for this purpose (the amount of any deficit being an "**Income Deficit**"), the Cash Manager on behalf of the Issuer shall, on the relevant Interest Payment Date, instruct payment or provide for such Income Deficit subject to the conditions set out in the section of this Prospectus entitled "*Cashflows — Application of Principal Receipts to cover shortfalls*" by applying first the balance standing to the credit of the General Reserve Fund (excluding the Transition Reserve Fund and the Liquidity Reserve Fund) second, Principal Receipts and the Cash Manager shall make a record of such reallocated principal on a separate ledger so that it may be reimbursed as "**Principal Reimbursement Due**" from Available Revenue Receipts on future Interest Payment Dates under item (i) of the Pre-Acceleration Revenue Priority of Payments and, third, following the Default Trigger being reached, the balance standing to the credit of the Liquidity Reserve Fund.

For the purposes of this Prospectus, "**Calculation Date**" means (a) the 15th calendar day of the month following a Collection Period End Date (or, if such day is not a Business Day, the next following Business Day), or (b) in respect of a Collection Period End Date relating to a Determination Period (as defined in Condition 3.9 (*Determinations and Reconciliation*)), the date

which is three Business Days prior to the Interest Payment Date immediately following such Determination Period.

### 3. **General Reserve Fund**

On the Issue Date, a fund will be established called the "**General Reserve Fund**". The General Reserve Fund (excluding for these purposes the Transition Reserve Fund and the Liquidity Reserve Fund) will be funded on the Issue Date by the Subordinated Loan in the sum of £10,524,888 (being an amount equal to 2.40 per cent. of the Principal Amount Outstanding of the Notes as at the Issue Date). The General Reserve Fund will be credited to the GIC Account (with a corresponding credit to the General Reserve Ledger).

The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund (the "**General Reserve Ledger**"). The Cash Manager will maintain a separate sub ledger within the General Reserve Fund (the "**Transition Reserve Ledger**") to record a loan administration transition cost reserve of £50,000 the "**Transition Reserve Fund**" and a further separate sub ledger within the General Reserve Fund (the "**Liquidity Reserve Ledger**") to record an additional liquidity reserve (the "**Liquidity Reserve Fund**").

On each Interest Payment Date (other than the Interest Payment Date on which the Class A Notes are redeemed in full, or after the delivery of a Note Acceleration Notice), the amount which is the lesser of (x) the amount standing to the credit of the General Reserve Fund (excluding the Transition Reserve Fund and the Liquidity Reserve Fund) on the preceding Calculation Date and (y) the amount by which the aggregate of items (a), (b), (e), (f) and (g) of the definition of "**Available Revenue Receipts**" on such Interest Payment Date less items (h) and (i) of the definition of "Available Revenue Receipts" on such Interest Payment Date are less than the amounts payable under items (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date will be added to the other income of the Issuer to determine the amount of Available Revenue Receipts (investors should see the section of this Prospectus entitled '*Cashflows — Definition of Available Revenue Receipts*', for further details).

After the delivery of a Note Acceleration Notice, the General Reserve Fund including the Transition Reserve Fund and the Liquidity Reserve Fund shall be applied in accordance with the Post-Acceleration Priority of Payments.

After the Issue Date, the General Reserve Fund will be funded up to the General Reserve Required Amount from Available Revenue Receipts on each Interest Payment Date in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments.

The "**General Reserve Required Amount**" will on the Issue Date and on each Interest Payment Date thereafter until the Interest Payment Date on which the Class A Notes have been redeemed in full be an amount equal to £10,524,888 (being an amount equal to 2.40 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Issue Date), and, on and from the Interest Payment Date on which the Class A Notes have been redeemed in full, zero. For the avoidance of doubt, amounts standing to the credit of the Transition Reserve Fund and the Liquidity Reserve Fund will not count towards to General Reserve Required Amount.

On the Interest Payment Date on which the Class A Notes are redeemed in full, the General Reserve Fund including the Transition Reserve Fund and the Liquidity Reserve Fund will (after deducting an amount equal to any then recorded Principal Deficiency Ledger entries and any Principal Reimbursement Due, which amount shall form part of Available Principal Receipts) form part of the Available Revenue Receipts. Payment of the Notes is made sequentially, meaning that payments on the Class B Notes will be subordinated to payments on the Class A Notes in accordance with the relevant Priority of Payments.

Any shortfall in payments of interest on the Class B Notes will be deferred until the next Interest Payment Date or such earlier date as interest in respect of the Class B Notes becomes immediately due and repayable in accordance with the Conditions and this will not constitute an

Event of Default. On the next Interest Payment Date, the amount of interest scheduled to be paid on the Class B Notes will be increased to take account of any deferral of such amounts. The deferral process will continue until the Final Maturity Date, at which point, all such deferred amounts (including interest thereon) will become due and payable. However, if there is insufficient money available to the Issuer to pay interest on any Class of Notes on the Final Maturity Date, then the relevant Noteholders may not receive all interest amounts.

It is not intended that any surplus will be accumulated in the Issuer, other than, for the avoidance of doubt, the Issuer retained profit and amounts standing to the credit of the General Reserve Fund, including the Transition Reserve Fund and the Liquidity Reserve Fund.

#### 4. **Liquidity Reserve Fund**

The Liquidity Reserve Fund will be funded on the Issue Date by the Subordinated Loan in the sum of £2,631,222 (being an amount equal to 0.60 per cent. of the Principal Amount Outstanding of the Notes as at the Issue Date). The Liquidity Reserve Fund will be credited to the GIC Account (with a corresponding credit to the Liquidity Reserve Ledger).

On each Interest Payment Date following the Default Trigger being reached (other than the Interest Payment Date falling in June 2018 or after the delivery of a Note Acceleration Notice), the amount which is the lesser of (x) the amount standing to the credit of the Liquidity Reserve Fund on the preceding Calculation Date and (y) the amount by which the aggregate of items (a), (b), (c)(i), (d), (e), (f) and (g) of the definition of "Available Revenue Receipts" on such Interest Payment Date less items (h) and (i) of the definition of "Available Revenue Receipts" on such Interest Payment Date are less than the amounts payable under items (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date will be added to the other income of the Issuer to determine the amount of Available Revenue Receipts (investors should see the section of this Prospectus entitled '*Cashflows — Definition of Available Revenue Receipts*', for further details).

**"Default Trigger"** means, on any Collection Period End Date, that the Outstanding Principal Balance of all Defaulted Loans, calculated as at such Collection Period End Date and determined in respect of each Defaulted Loan as at the date it first became a Defaulted Loan (without having regard to any subsequent recoveries), exceeds an amount equal to 20 per cent. of the Outstanding Principal Balance of all Loans in the Initial Portfolio, determined as at the Issue Date. **"Defaulted Loans"** means, at any time, all Loans in the Portfolio that are or have been the subject of repossession proceedings by or on behalf of the Issuer or in respect of which the related Mortgaged Property has been repossessed by or on behalf of the Issuer, in each case from and including the Issue Date.

On the Interest Payment Date falling in June 2018, the balance then standing to the credit of the Liquidity Reserve Fund will be applied as Available Revenue Receipts. In addition, after the delivery of a Note Acceleration Notice, the Liquidity Reserve Fund shall be applied in accordance with the Post-Acceleration Priority of Payments.

After the Issue Date, the Liquidity Reserve Fund will be funded up to the Liquidity Reserve Required Amount from Available Revenue Receipts on each Interest Payment Date in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments.

The "**Liquidity Reserve Required Amount**" will on the Issue Date and on each Interest Payment Date thereafter until the earlier of (i) the Interest Payment Date falling in June 2018 and (ii) the Interest Payment Date on which the Class A Notes have been redeemed in full be an amount equal to £2,631,222 (being an amount equal to 0.60 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Issue Date), and, on and from the earlier of (i) the Interest Payment Date falling in June 2018 and (ii) the Interest Payment Date on which the Class A Notes have been redeemed in full, zero.



5. **Principal Deficiency Ledger**

A Principal Deficiency Ledger, comprising two sub ledgers, known as the "**Class A Principal Deficiency Sub Ledger**" (relating to the Class A Notes) and the "**Class B Principal Deficiency Sub Ledger**" (relating to the Class B Notes) (each a "**Principal Deficiency Sub Ledger**" and together the "**Principal Deficiency Ledger**"), will be established on the Issue Date in order to record any Losses realised in respect of Loans in the Portfolio.

When used in this Prospectus, "**Losses**" means all realised losses on the Loans.

Losses realised in respect of Loans in the Portfolio, will be recorded by the Cash Manager first on the Class B Principal Deficiency Sub Ledger until the balance of the Principal Deficiency Sub Ledger is equal to the Principal Amount Outstanding of the Class B Notes and then on the Class A Principal Deficiency Sub Ledger until the balance of the Class A Principal Deficiency Sub Ledger is equal to the Principal Amount Outstanding of the Class A Notes.

On each Interest Payment Date, Available Revenue Receipts shall, after making the payments or provisions required to be met in priority to item (g) of the Pre-Acceleration Revenue Priority of Payments, be applied in an amount necessary to reduce to nil the balance on the Class A Principal Deficiency Sub Ledger. Then, once the balance on the Class A Principal Deficiency Sub Ledger is reduced to nil and after payment of any Required Redemption Amount (and prior to the payment of any interest due on the Class B Notes in accordance with the Pre-Acceleration Revenue Priority of Payments), Available Revenue Receipts will be applied to reduce to nil the balance of the Class B Principal Deficiency Sub Ledger.

6. **Available Funds**

Available Revenue Receipts and Available Principal Receipts will be paid to the persons entitled thereto (or a relevant provision made) in accordance with the applicable Priority of Payments. It is not intended that any surplus will be accumulated in the Issuer (other than amounts standing to the credit of the General Reserve Fund, including the Transition Reserve Fund and the Liquidity Reserve Fund, or the Issuer Margin Ledger).

If, on any Interest Payment Date when there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest otherwise due on the Class B Notes, then the Issuer will be entitled under Condition 14 (*Subordination By Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. This will not constitute an Event of Default.

Failure to pay interest on the Class A Notes (or the Class B Notes after the Class A Notes have been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

7. **GIC Account**

Please see "*Summary of Key Transaction Documents – Bank Account Agreement*" and "*Summary of Key Transaction Documents – Guaranteed Investment Contract*" above.

8. **Subordinated Loan**

The Subordinated Loan Provider will make available to the Issuer a subordinated loan (the "**Subordinated Loan**") pursuant to the "**Subordinated Loan Agreement**" entered into on or about the Issue Date between the Issuer, the Subordinated Loan Provider and the Security Trustee, which will be a subordinated loan facility in an amount up to £13,615,000 and will be used for (a) meeting certain costs and expenses of the Issuer arising in connection with the sale of the Portfolio to the Issuer (b) to fund the General Reserve Fund, the Liquidity Reserve Fund and Transition Reserve Fund on the Issue Date.

Amounts drawn in respect of (a) but not used within 60 days of the Issue Date will be repaid to the Subordinated Loan Provider. Amounts used in respect of (b) will be credited to the GIC Account on the Issue Date (with a corresponding credit to the General Reserve Ledger, the Liquidity Reserve Ledger and/or the Transition Reserve Ledger, as the case may be.)

The Subordinated Loan Agreement will be governed by English law.

9. **Issuer Margin Ledger**

Pursuant to the Cash Management Agreement, the Cash Manager shall maintain a ledger in respect of the GIC Account to record from time to time amounts received by the Issuer by way of profit pursuant to item (d) of the Pre-Acceleration Revenue Priority of Payments or item (d) of the Post-Acceleration Priority of Payments (the "**Issuer Margin Ledger**").

The Issuer will receive an amount equal to £38,158 per annum (payable in quarterly instalments in arrear) from (and including) the Interest Payment Date falling in September 2012 until (and including) the Interest Payment Date falling in September 2014, and, thereafter, £2,500 per annum (payable in quarterly instalments in arrear), payable on each Interest Payment Date in accordance with the relevant Priority of Payments to the GIC Account to be credited to the Issuer Margin Ledger, by way of retained profit. Although subject to the security constituted by the Deed of Charge, funds credited to the Issuer Margin Ledger will not be applied in either the Pre-Acceleration Revenue Priority of Payments or the Pre-Acceleration Principal Priority of Payments and will only be available to make payment of any amounts required to pay or discharge the liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer and to make payment of any dividends to the shareholder of the Issuer.

## CASHFLOWS

### **Seller Collection Accounts**

The Administrator will be responsible for ensuring that all payments to be made by the Borrowers under the Loans and proceeds from enforcing their Related Security will be made by them into the collection accounts held in the Seller's name with the Seller Collection Account Bank (the "**Seller Collection Credit Accounts**"). Collections under Loans originated by the Seller under the brand name 'First Trust Bank' will be made into a separate Seller Collection Account from those under Loans originated under the brand name 'Allied Irish Bank (GB)'.

The Administrator will transfer to the Transaction Account from two corresponding bank accounts held with the Seller Collection Account Bank in the name of the Seller (the "**Seller Collection Debit Accounts**", and together with the Seller Collection Credit Accounts, the "**Seller Collection Accounts**") on the second Business Day after receipt an amount equal to all amounts received into the Seller Collection Credit Accounts from the Borrowers under the Loans or from the enforcement of their Related Security (except that the Administrator may deduct any Third Party Amounts from such collections and pay such Third Party Amounts to the third parties entitled to such amounts).

### **Issuer Collection Accounts**

Following Invocation, the Back-up Administrator will be responsible for ensuring that all payments to be made by the Borrowers under the Loans and proceeds from enforcing their Related Security will be made by them into the Issuer Collection Accounts.

The Back-up Administrator will transfer to the Transaction Account on the second Business Day after receipt an amount equal to all amounts received into the Issuer Collection Accounts from the Borrowers under the Loans or from the enforcement of their Related Security (except that the Back-up Administrator may deduct any Third Party Amounts from such collections and pay such Third Party Amounts to the third parties entitled to such amounts).

### **Definition of Revenue Receipts**

As used in this Prospectus, references to "**Revenue Receipts**" mean payments received by the Issuer directly or from the Seller representing:

- (a) payments of interest on the Loans (including arrears of interest and accrued interest but excluding capitalised interest, capitalised expenses and capitalised arrears) and fees paid from time to time under the Loans and other amounts received by the Issuer in respect of the Loans other than the Principal Receipts;
- (b) recoveries of interest and outstanding fees (excluding capitalised interest, capitalised expenses and capitalised arrears, if any) from defaulting Borrowers under Loans being enforced;
- (c) recoveries of interest and outstanding fees (excluding capitalised interest, capitalised expenses and capitalised arrears, if any) and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed;
- (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (which, will, if the Seller elects to sell a Substitute Loan to the Issuer in accordance with the Mortgage Sale Agreement, comprise the balance of amounts representing interest payable by the Seller (if any) following set-off in accordance with the Mortgage Sale Agreement) to the extent such proceeds are attributable to accrued interest, arrears of interest and any other interest amounts in respect of such Loan (but excluding, for the avoidance of doubt, capitalised interest, capitalised expenses and capitalised arrears) as at the relevant repurchase date;

- (e) any Early Repayment Charges which have been paid by Borrowers in respect of the Loans; and
- (f) all sums of the type referred to in paragraphs (a) to (e) (inclusive) above received by the Seller in respect of the Loans that comprised the Actual Provisional Portfolio but do not comprise the Portfolio and which were credited to the Seller Collection Accounts during the period from (and excluding) the Cut-off Date to (but excluding) the Issue Date.

#### **Definition of Available Revenue Receipts**

"**Available Revenue Receipts**" means for each Interest Payment Date an amount equal to the aggregate of (without double-counting):

- (a) Revenue Receipts (or Calculated Revenue Receipts where Condition 3.9 (*Determinations and Reconciliation*) applies) received during the immediately preceding Collection Period, including Revenue Receipts under limb (d) of the definition thereof received by the Issuer on such Interest Payment Date, provided that save following the occurrence of an Administrator Termination Event or a Perfection Event which is continuing, Early Repayment Charges shall be excluded from the definition of Revenue Receipts, and shall instead be paid directly to the Seller on each Interest Payment Date;
- (b) interest payable to the Issuer on the Bank Accounts received during the immediately preceding Collection Period;
- (c)
  - (i) on an Interest Payment Date other than an Interest Payment Date upon which the Class A Notes are redeemed in full, the amounts standing to the credit of the General Reserve Fund (other than the Transition Reserve Fund and the Liquidity Reserve Fund) on the immediately preceding Calculation Date which are to be applied to cover items (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date pursuant to the Cash Management Agreement;
  - (ii) on an Interest Payment Date (other than the Interest Payment Date falling in June 2018) following the Default Trigger being reached, the amounts standing to the credit of the Liquidity Reserve Fund on the immediately preceding Calculation Date which are to be applied to cover items (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date pursuant to the Cash Management Agreement;
  - (iii) on the Interest Payment Date falling in June 2018, the amounts standing to the credit of the Liquidity Reserve Fund; and
  - (iv) on the Interest Payment Date upon which the Class A Notes are redeemed in full, the amounts standing to the credit of the General Reserve Fund (including the Transition Reserve Fund and the Liquidity Reserve Fund);
- (d) on an Interest Payment Date amounts referred to in paragraph (e) of the definition of Available Principal Receipts;
- (e) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts and any amounts credited to the Issuer Margin Ledger and without double-counting the amounts described in paragraphs (a) to (d) above or (f) and (g) below;
- (f) any amount applied as Available Revenue Receipts in accordance with Condition 3.9(c)(ii) (*Determinations and Reconciliation*);

- (g) following the occurrence of an Administrator Termination Event and the payment of the Invocation Fee by the Administrator or, as the case may be, the Issuer to the Back-up Administrator, the balance standing to the credit of the Transition Reserve Fund;

less

- (h) Third Party Amounts; and
- (i) an amount to be applied as Available Principal Receipts in accordance with Condition 3.9(c)(i) (*Determinations and Reconciliation*) on the relevant Interest Payment Date.

**"Third Party Amounts"** means (to the extent not previously deducted by the Administrator or Back-up Administrator or reimbursed by the Cash Manager on behalf of the Issuer in accordance with the Cash Management Agreement) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties such as (but not limited to):

- (a) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;
- (b) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller;
- (c) any costs which are incurred by the Administrator or the Back-up Administrator, as the case may be, as a result of the repayment of any amount (or part thereof), which was paid in or credited to the Seller Collection Accounts or Issuer Collection Accounts, respectively, and in each case in respect of which a corresponding amount has been credited to the Transaction Account that has not been received as cleared funds or has otherwise been recalled, and which are irrecoverable by the Administrator or the Back-up Administrator, as the case may be, from the relevant Borrower; and
- (d) any amounts which are (following a final non-appealable determination by a relevant regulator, including, for the avoidance of doubt, the Financial Ombudsman Service) required to be paid by the Issuer by way of regulatory penalty or other regulatory compensation payment, where payment is made or to be made by the Back-up Administrator on behalf of the Issuer in circumstances where the relevant regulatory penalty or other regulatory compensation payment arises otherwise than as a result of the Back-up Administrator's negligence, fraud or wilful default in carrying out its functions as the Back-up Administrator under the Back-up Administration Agreement or the other Transaction Documents or as a result of a breach by it of the terms and provisions of the Back-up Administration Agreement in relation to such functions.

Third Party Amounts may be deducted (i) by the Administrator on a daily basis from the Seller Collection Credit Accounts or following Invocation, (ii) by the Back-up Administrator or (only in the case of items within (a) of the definition of Third Party Amounts) the Account Bank from the Issuer Collection Accounts or (iii) by the Cash Manager or (only in the case of items within (a) of the definition of Third Party Amounts) the Account Bank on a daily basis during the life of the transaction from the Transaction Account or, to the extent that the balance standing to the credit of the Transaction Account is insufficient, the GIC Account (save where such withdrawal would reduce the balance standing to the credit of the GIC Account below the General Reserve Required Amount or would reduce the balance standing to the credit of the Transition Reserve Fund, the Liquidity Reserve Fund or the Issuer Margin Ledger) to make payment to the persons entitled thereto.

### **Application of Principal Receipts to Cover Shortfalls**

On each Calculation Date, the Cash Manager will calculate whether the Available Revenue Receipts will be sufficient to pay on the relevant Interest Payment Date items (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments.

If the Cash Manager determines that there would be an Income Deficit on an Interest Payment Date to pay those items, then the Issuer shall pay or provide for that Income Deficit by drawing from the General Reserve Fund (but not from the Transition Reserve Fund and the Liquidity Reserve Fund) and thereafter by applying Principal Receipts and the Cash Manager shall record such reallocated Principal Receipts. Any amounts so applied may not be used to pay interest on the Class B Notes.

### **Application of Monies Released from the Liquidity Reserve Fund**

Following the Default Trigger being reached, if the Cash Manager determines that there would be an Income Deficit on an Interest Payment Date to pay items (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments, then the Issuer shall pay or provide for that Income Deficit by drawing from the Liquidity Reserve Fund (following its drawing from the General Reserve Fund and application of Principal Receipts as described under "*Cashflows-Application of Principal Receipts to Cover Shortfalls*" above). Any amounts so applied may not be used to pay interest on the Class B Notes.

On the Interest Payment Date falling in June 2018, the Liquidity Reserve Fund will form part of Available Revenue Receipts.

### **Application of Monies Released from the General Reserve Fund**

On the Interest Payment Date on which the Class A Notes are redeemed in full, the General Reserve Fund (including the Transition Reserve Fund and the Liquidity Reserve Fund), will form part of Available Revenue Receipts.

### **Application of Available Revenue Receipts prior to the Service of a Note Acceleration Notice on the Issuer**

On each Interest Payment Date prior to the service of a Note Acceleration Notice on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that such funds are available in the relevant Bank Account and payments or provisions of a higher priority have been made in full) (the "**Pre-Acceleration Revenue Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Note Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax ("**VAT**") thereon as provided therein;
  - (ii) any costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts then due and payable to the Agent Bank and the Principal Paying Agent and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with VAT thereon as provided therein;
  - (ii) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the Pre-Acceleration Revenue Priority of Payments or the Pre-Acceleration Principal Priority of Payments), and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period;
  - (iii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement together with VAT thereon as provided therein; and
  - (iv) any amounts then due and payable to the Back-up Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Back-up Administrator in the immediately succeeding Interest Period under the provisions of the Back-up Administration Agreement or otherwise, together with VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank in the immediately succeeding Interest Period under the provisions of the Bank Account Agreement, together with VAT thereon as provided therein;
  - (vi) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction of any amounts due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator in the immediately succeeding Interest Period under the provisions of the Administration Agreement, together with VAT thereon as provided therein;
- (d) *fourth*, to pay the Issuer for deposit in the GIC Account and credit to the Issuer Margin Ledger an amount equal to £38,158 per annum (payable in quarterly instalments in arrear) from (and including) the Interest Payment Date falling in September 2012 until (and including) the Interest Payment Date falling in September 2014, and, thereafter, £2,500 per annum (payable in quarterly instalments in arrear), to be retained by the Issuer as profit;
- (e) *fifth*, to pay *pro rata* interest due and payable on the Class A Notes;
- (f) *sixth*, sequentially:
- (i) to credit the General Reserve Ledger up to the General Reserve Required Amount; and then

- (ii) to credit the Liquidity Reserve Ledger up to the Liquidity Reserve Required Amount;
- (g) *seventh*, sequentially:
  - (i) to make provision for a credit to the Class A Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon; and then
  - (ii) to pay any Required Redemption Amount;
- (h) *eighth*, to make provision for a credit to the Class B Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon;
- (i) *ninth*, to pay any Principal Reimbursement Due;
- (j) *tenth*, to pay *pro rata* interest due and payable on the Class B Notes;
- (k) *eleventh*, to pay all amounts of interest due or accrued (if any) but unpaid, any capitalised interest and amounts of principal due or accrued (if any) but unpaid to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (l) *twelfth*, to pay any deferred consideration due and payable under the Mortgage Sale Agreement to the Seller (the "**Deferred Consideration**");

As used in this Prospectus:

**"Appointee"** means any attorney, manager, agent, delegate, nominee, Receiver, custodian or other person properly appointed by the Note Trustee under the Trust Deed or by the Security Trustee (as applicable) to discharge any of its functions;

**"Principal Reimbursement Due"** means, on any Interest Payment Date following the reallocation of Principal Receipts to meet an Income Deficit, an amount equal to the aggregate amount of any Principal Receipts so reallocated on preceding Interest Payment Dates, to the extent available under item (i) of the Pre-Acceleration Revenue Priority of Payments on that Interest Payment Date and not previously reimbursed on any preceding Interest Payment Date; and

**"Receiver"** means any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Property by the Security Trustee pursuant to the Deed of Charge.

#### **Definition of Principal Receipts**

As used in this Prospectus, "**Principal Receipts**" means payments received by the Issuer directly or from the Seller representing:

- (a) principal repayments under the Loans (including capitalised interest, capitalised expenses and capitalised arrears but excluding accrued interest and arrears of interest);
- (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Mortgaged Property); and
- (c) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (which, if the Seller elects to sell a Substitute Loan to the Issuer in accordance with the Mortgage Sale Agreement, comprise the balance of amounts representing principal payable by the Seller (if any) following set-off in accordance with the Mortgage Sale Agreement), excluding any such amounts as are attributable to Revenue Receipts.



### Definition of Available Principal Receipts

As used in this Prospectus:

**"Available Principal Receipts"** means for any Interest Payment Date:

- (a) all Principal Receipts (or Calculated Principal Receipts where Condition 3.9 (*Determinations and Reconciliation*) applies) received by the Issuer during the immediately preceding Collection Period, including Principal Receipts under limb (c) of the definition thereof received by the Issuer on such Interest Payment Date (and which shall include any amounts received by the Issuer to enable it to redeem the Notes in full on an Interest Payment Date on or prior to the Final Maturity Date in accordance with Condition 5.3 (*Optional Redemption of the Notes in full*) and which are attributable to principal);
- (b) the amounts (if any) to be (i) credited to the Principal Deficiency Ledger pursuant to items (g)(i) and (h), (ii) applied by way of Required Redemption Amount pursuant to item (g)(ii), or (iii) applied by way of Principal Reimbursement Due pursuant to item (i), in each case of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date;
- (c) (in respect of the first Interest Payment Date only) all sums of the type referred to in paragraph (a) of the definition of 'Principal Receipts' received by the Seller in respect of the loans that comprised the Actual Provisional Portfolio but do not comprise the Initial Portfolio credited to the Seller Collection Accounts from (and excluding) the Cut-off Date to (but excluding) the Issue Date;
- (d) any amount applied as Available Principal Receipts in accordance with Condition 3.9(c)(i) (*Determinations and Reconciliation*),

less

- (e) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period which are to be applied to cover Income Deficits on such Interest Payment Date; and
- (f) an amount to be applied as Available Revenue Receipts in accordance with Condition 3.9(c)(ii) (*Determinations and Reconciliation*) on the relevant Interest Payment Date.

The Issuer shall pay or provide for amounts due under the Pre-Acceleration Revenue Priority of Payments before paying amounts due under the Pre-Acceleration Principal Priority of Payments.

**"Required Redemption Amount"** means, on any Interest Payment Date:

- (a) prior to the Step-Up Date, zero; and
- (b) from and including the Step-Up Date, an amount equal to the lesser of:
  - (i) the aggregate Principal Amount Outstanding of the Class A Notes on the relevant Interest Payment Date, after taking account of any other Available Principal Receipts to be applied towards repayment of Principal Amounts Outstanding in respect of the Class A Notes on the relevant Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments; and
  - (ii) the remaining Available Revenue Receipts, after taking account of any amounts which are to be applied to cover items (a) to (g)(i) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on the relevant Interest Payment Date.

### **Application of Available Principal Receipts**

Prior to the service of a Note Acceleration Notice on the Issuer, the Cash Manager (on behalf of the Issuer) is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the "**Pre-Acceleration Principal Priority of Payments**") in each case only to the extent that such funds are available in the relevant Bank Account and payments of a higher order of priority have been made in full:

- (a) *first, pro rata* towards repayment of the Principal Amount Outstanding of the Class A Notes;
- (b) *second, pro rata* towards repayment of the Principal Amount Outstanding of the Class B Notes; and
- (c) *third*, in payment of any Deferred Consideration.

### **Distribution of Available Principal Receipts and Available Revenue Receipts following the Service of a Note Acceleration Notice on the Issuer**

Following the service of a Note Acceleration Notice on the Issuer the Security Trustee will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) in the following order of priority (the "**Post-Acceleration Priority of Payments**" and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments the "**Priority of Payments**"), and in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full :

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any costs, charges, liabilities, expenses and all other amounts then due to the Note Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
  - (ii) any costs, charges, liabilities, expenses and all other amounts then due to the Security Trustee, any Receiver appointed by the Security Trustee or any other Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any amounts then due and payable to the Agent Bank and the Principal Paying Agent and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with VAT thereon as provided therein;
  - (ii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with VAT thereon as provided therein; and
  - (iii) any amounts due and payable to the Back-up Administrator and any costs, charges, liabilities and expenses then due and payable to the Back-up Administrator under the provisions of the Back-up Administration Agreement or otherwise, together with VAT thereon as provided therein;

- (iv) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with VAT thereon as provided therein; and
- (v) any amounts then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due and payable to the Account Bank under the provisions of the Bank Account Agreement, together with VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction of any amounts due and payable to the Administrator and any costs, charges, liabilities and expenses then due to the Administrator under the provisions of the Administration Agreement, together with VAT thereon as provided therein;
- (d) *fourth*, to pay the Issuer for deposit in the GIC Account and credit to the Issuer Margin Ledger an amount equal to £38,158 per annum (which shall accrue in quarterly instalments in arrear, but only in respect of complete Interest Periods) from (and including) the Interest Payment Date falling in September 2012 until (and including) the Interest Payment Date falling in September 2014, and, thereafter, £2,500 per annum (which shall accrue in quarterly instalments in arrear, but only in respect of complete Interest Periods) to be retained by the Issuer as profit;
- (e) *fifth*, to pay *pro rata* in full all amounts of interest and principal on the Class A Notes;
- (f) *sixth*, to pay *pro rata* in full all amounts of interest and principal on the Class B Notes;
- (g) *seventh*, to pay all amounts of interest due or accrued (if any) but unpaid and any capitalised interest and amounts of principal due but unpaid to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (h) *eighth*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

## DESCRIPTION OF THE NOTES IN GLOBAL FORM

*The Global Notes contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:*

The Notes will initially be represented by temporary global notes in bearer form (the "**Temporary Global Notes**"), without interest coupons or talons. The Temporary Global Notes will be deposited on behalf of the subscribers of each class of the Notes with the Common Safekeeper for Euroclear or Clearstream, Luxembourg on the Issue Date. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg (as the case may be) will credit each subscriber of the Notes with the principal amount of Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in the Temporary Global Notes are exchangeable 40 calendar days after the Issue Date, provided certification of non-U.S. beneficial ownership by the relevant Noteholders has been received, for interests in permanent global notes in bearer form (the "**Permanent Global Notes**") (which will also be deposited with a Common Safekeeper) representing the Notes, without interest coupons or talons.

On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant class, the Permanent Global Note will remain deposited with the relevant Common Safekeeper. Title to the Global Notes will pass by delivery. The Permanent Global Notes will only be exchangeable for Definitive Notes in certain limited circumstances described below.

The expression "**Global Note**" means, any Temporary Global Note or Permanent Global Note, as the context may require.

### **Nominal Amount and Exchange**

The nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear and Clearstream, Luxembourg or any alternative clearing system approved by the Note Trustee (the "**Alternative Clearing System**") (each a "**relevant Clearing System**"). The records of such relevant Clearing System shall be conclusive evidence of the nominal amount of Notes represented by the Global Notes and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time.

The Global Notes are exchangeable in whole but not in part (free of charge to the holder) for the Definitive Notes described below only if (i) the Global Notes are held on behalf of a relevant Clearing System and such relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and no alternative clearing system satisfactory to the Note Trustee is available, or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will on the next Interest Payment Date be required to make any deduction or withholding from any payment in respect of such Note which would not be required were such Notes in definitive form (each an "**Exchange Event**"). Thereupon the holder may give notice to the Note Trustee of its intention to exchange the Global Notes for Definitive Notes on or after the Exchange Date specified in the notice.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in denominations of £100,000 and integral multiples of £1,000 thereafter, up to and including £199,000. No Definitive Notes will be issued with a denomination above £199,000. Noteholders who hold an interest in a Global Note in the relevant clearing system of less than an authorised denomination may need to purchase or sell, on or before the date on which the Global Note is to be exchanged for Definitive Notes, a principal amount of Notes such that their holding may be exchanged in full for Definitive Notes in authorised denominations.

The holder of a Global Note may surrender the Global Note to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event. In exchange for the Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and

authenticated Definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 (*Form of Definitive Note*) to the Trust Deed. On exchange of the Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Notes.

## **Payments**

Payments of principal and interest in respect of Notes represented by the Global Notes will be made to its holder. The Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant Clearing System and, in the case of payments of principal, the nominal amount of the Notes will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge.

## **Information Regarding Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of Noteholders or if a Noteholder desires to give instructions or to take any action that a Noteholder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the participants to give instructions or take such action, and such participants would authorise indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

## **Redemption**

In the event that the Global Notes (or portion thereof) are redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to or to the order of the Common Safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. The redemption price payable in connection with the redemption will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. Any redemptions of the Global Notes in part will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a pro rata basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate).

Upon any redemption in part, the Principal Paying Agent will mark down the schedule to the Global Note by the principal amount so redeemed.

### **Notices**

So long as the Notes are represented by Global Notes and the Global Notes are held on behalf of a relevant Clearing System, notices to Noteholders may be given by delivery of the relevant notice to that relevant Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Conditions. Such notice will be deemed to be given to Noteholders on the day of its delivery to the relevant Clearing System.

### **Prescription**

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by Global Notes will become void unless they are presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7 (*Prescription*)).

### **Meetings**

The holder of the Global Notes will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of £1 in principal amount of Notes.

### **Purchase and Cancellation**

On cancellation of any Notes required by the Conditions to be cancelled following its purchase, the Issuer shall procure that details of such cancellation shall be entered *pro rata* in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by the Global Notes shall be reduced by the aggregate nominal amount of the Notes so cancelled.

### **Trustee's Powers**

In considering the interests of Noteholders while the Global Notes are held on behalf of a relevant Clearing System the Trustee may have regard to any information provided to it by such relevant Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Notes and may consider such interests as if such accountholders were the holders of the Global Notes.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

### General

The £316,624,000 Class A asset backed floating rate Notes due 2044 (the "**Class A Notes**") and the £121,913,000 Class B asset backed floating rate Notes due 2044 (the "**Class B Notes**" and, together with the Class A Notes, the "**Notes**"), in each case of Tenterden Funding plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 16<sup>th</sup> May 2012 (the "**Issue Date**") and made between the Issuer and Deutsche Trustee Company Limited as trustee for the Noteholders (in such capacity, the "**Note Trustee**"), which includes the form of the Notes and the coupons and talons relating to them. Any reference in these terms and conditions (the "**Conditions**") to a class of Notes or of Noteholders shall be a reference to the Class A Notes or the Class B Notes, as the case may be, or to the respective holders thereof.

The security for the Notes is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated the Issue Date and made between, among others, the Issuer and Deutsche Trustee Company Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or about the Issue Date and made between the Issuer, the Note Trustee, Deutsche Bank AG, London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**") and Deutsche Bank AG, London Branch as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, inter alia, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and the Master Definitions and Construction Schedule entered into by, *inter alios*, the Issuer and the Security Trustee on or about the Issue Date (the "**Master Definitions and Construction Schedule**") and the other Transaction Documents. "**Transaction Documents**" means the following documents (each as defined in the Master Definitions and Construction Schedule): (a) the Administration Agreement, (b) the Agency Agreement, (c) the Bank Account Agreement, (d) the Cash Management Agreement, (e) the Corporate Services Agreement, (f) the Deed of Charge, (g) the Issuer Share Trust, (h) the Issuer Power of Attorney, (i) the Master Definitions and Construction Schedule, (j) the Mortgage Sale Agreement, (k) each Scottish Declaration of Trust, (l) each Scottish Sub-Security, (m) each Scottish Supplemental Charge, (n) each Scottish Transfer, (o) the Seller Power of Attorney, (p) the Subordinated Loan Agreement, (q) the Subscription Agreement, (r) the Back-up Administration Agreement, (s) the Trust Deed (including the Conditions), (t) the GIC, and (u) the Notes, and such other documents as may be from time to time so designated by the Security Trustee.

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and certain other Transaction Documents are available for inspection during normal business hours, upon reasonable notice, at the specified office for the time being of the Principal Paying Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them, including, without limitation, the provisions of Clause 20.1 (*No Enforcement by Secured Creditors*) of the Deed of Charge, by which the Noteholders are bound and to which the Notes are subject.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Trust Deed, by virtue of the incorporation by reference therein of the definitions set out in the Master Definitions and Construction Schedule.

These Conditions shall be construed in accordance with the principles of interpretation and construction applicable to the Trust Deed by virtue of the incorporation by reference therein of the terms of the Master Definitions and Construction Schedule.

## 1. Form, Denomination and Title

### 1.1 Form and Denomination

Each class of Notes will be initially offered and sold outside the United States to non-US persons pursuant to Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**").

The Notes will be issued on the Issue Date with a Principal Amount Outstanding as set out in Condition 5.5 (*Principal Amount Outstanding*).

The Notes are initially represented by temporary global notes in new global note (NGN) form and in bearer form (the "**Temporary Global Notes**") without interest Coupons or Talons (each as defined below). Each Temporary Global Note has been delivered to Deutsche Bank AG, London Branch as common safekeeper (the "**Common Safekeeper**") for Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") on the Issue Date on behalf of the subscribers of the Notes. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg (as the case may be) will credit each subscriber of the Notes with the principal amount of Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in the Temporary Global Notes are exchangeable 40 calendar days after the Issue Date, provided certification of non-U.S. beneficial ownership by the relevant Noteholders has been received, for interests in permanent global notes in bearer form (the "**Permanent Global Notes**") (which will also be deposited with a Common Safekeeper) representing the Notes, without interest coupons or talons.

The expression "**Global Note**" means, any Temporary Global Note or Permanent Global Note, as the context may require.

For so long as any Notes are represented by Global Notes, transfers and exchanges of beneficial interests in the Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear or Clearstream, Luxembourg, as appropriate.

The Global Notes will be exchanged in whole but not in part (free of charge to the holder) for Notes in definitive bearer form ("**Definitive Notes**") only if either of the following applies:

- (a) either Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention to permanently cease to do business or in fact does so and no alternative clearing system satisfactory to the Note Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive form.

The aggregate principal amount of the Definitive Notes shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the Global Note.

Definitive Notes (which, if issued, will be in the denominations set out below) will be serially numbered in bearer form with (at the date of issue) interest coupons ("**Coupons**", which expression shall where the context requires include talons for further Coupons ("**Talons**")) for dates falling after the date of issue. The Definitive Notes, Coupons and Talons will be security printed in accordance with applicable legal and stock exchange requirements and shall be



endorsed with the relevant conditions. Title to the Definitive Notes, Coupons and Talons shall pass by delivery.

The minimum denominations of the Notes in global and (if issued) definitive form will be £100,000 and integral multiples of £1,000 thereafter. Notes in definitive form, if issued, will be printed and issued in minimum denominations of £100,000 and any amount in excess thereof in integral multiples of £1,000 up to and including £199,000. No Definitive Notes will be issued with a denomination above £199,000.

References to Notes in these Conditions shall include the Global Notes and the Definitive Notes. "**Class**" means, in relation to the Notes, each or any of the Class A Notes and the Class B Notes, as the context may require.

For the purposes of these Conditions, "**outstanding**" means, in relation to the Notes, all the Notes issued from time to time other than:

- (a) those Notes which have been redeemed in full and cancelled pursuant to the Conditions;
- (b) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption monies (including all interest payable thereon) have been duly paid to the Note Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relevant Noteholders in accordance with these Conditions) and remain available for payment against presentation of the relevant Notes;
- (c) those Notes which have been cancelled in accordance with Condition 5.8 (*Cancellation*);
- (d) those Notes which have become void or in respect of which claims have become prescribed, in each case under Condition 7 (*Prescription*);
- (e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 12 (*Replacement of Notes*) with respect to the Notes;
- (f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Instrument) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 12 (*Replacement of Notes*) with respect to the Notes; and
- (g) any Global Note to the extent that it shall have been exchanged for another Global Note in respect of the Notes or for Notes in definitive form pursuant to its provisions,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Noteholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of clauses 1.2(n) and (o) (*Definitions*) and clause 11.1 (*Action, proceedings and indemnification*) of the Trust Deed, the provisions for meetings of Noteholders set out at Schedule 4 (*Provisions for Meetings of Noteholders*) to the Trust Deed, and Condition 8 (*Events of Default*), Condition 9 (*Enforcement*) and Condition 10 (*Meetings of Noteholders, Modification and Waiver*); and
- (iii) any discretion, power or authority, whether contained in the Trust Deed or any other Transaction Document, or vested by operation of law, which the Note Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Seller, any holding company of the Seller or any other subsidiary of such holding company (the "**Relevant Persons**") where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such class of Notes (the "**Relevant Class of Notes**") shall be deemed to remain outstanding except that, if there is any other class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such class, then the Relevant Class of Notes shall be deemed not to remain outstanding.

## 1.2 **Title**

Title to the Global Notes or Definitive Notes shall pass by delivery.

## 1.3 **Status and relationship between the Notes**

- (a) The Class A Notes constitute direct, secured and unconditional obligations of the Issuer, and rank in respect of interest and principal due and payable on the Class A Notes *pari passu* without preference or priority amongst themselves.
- (b) The Class B Notes constitute direct, secured and, subject as provided in Condition 14 (*Subordination By Deferral*), unconditional obligations of the Issuer. The Class B Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes as provided in these Conditions and the Transaction Documents.
- (c) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders and the Class B Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise), but requiring the Note Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of: (A) the Class A Noteholders; and (B) the Class B Noteholders. The Deed of Charge contains provisions requiring the Security Trustee to have regard to the interests of the other Secured Creditors (provided that in the event of any conflict between the interests of Noteholders and the other Secured Creditors, the interests of the Noteholders will prevail and the Security Trustee is required to take instructions from the Note Trustee in this regard).
- (d) The Trust Deed contains provisions limiting the powers of the Class B Noteholders to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Noteholders. Except in certain circumstances set out in the Trust Deed, there is no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders.

## 1.4 **Security**

- (a) The Security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee, on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.
- (c) The Security will become enforceable upon the delivery by the Security Trustee of a Note Acceleration Notice in accordance with Condition 8 (*Events of Default*) and subject to the matters referred to in Condition 9 (*Enforcement*).

1.5 **Priority of Payments from Available Revenue Receipts prior to the Service of a Note Acceleration Notice on the Issuer**

Payment from Available Revenue Receipts in respect of the Class A Notes will at all times rank in priority to payments from Available Revenue Receipts in respect of the Class B Notes, in accordance with the Pre- Acceleration Revenue Priority of Payments.

Prior to the delivery of a Note Acceleration Notice, the Issuer is required to apply Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and, thereafter, in accordance with the Post-Acceleration Priority of Payments.

On each Calculation Date, the Cash Manager will calculate whether the Available Revenue Receipts will be sufficient to pay on the relevant Interest Payment Date items (a) to (e) (inclusive) of the Pre-Acceleration Revenue Priority of Payments.

If the Cash Manager determines that there would be an Income Deficit on an Interest Payment Date to pay those items, then the Issuer shall pay or provide for that Income Deficit by, first, drawing from the General Reserve Fund (to the extent of the balance of the General Reserve Fund, excluding the Transition Reserve Fund and the Liquidity Reserve Fund), second, by applying Principal Receipts and the Cash Manager shall make a record of such reallocated principal and, third, following the Default Trigger being reached, the Liquidity Reserve Fund. Any amounts so applied may not be used to pay interest on the Class B Notes.

**"Default Trigger"** means, on any Collection Period End Date, that the Outstanding Principal Balance of all Defaulted Loans, calculated as at such Collection Period End Date and determined in respect of each Defaulted Loan as at the date it first became a Defaulted Loan (without having regard to any subsequent recoveries), exceeds an amount equal to 20 per cent. of the Outstanding Principal Balance of all Loans in the Initial Portfolio, determined as at the Issue Date. **"Defaulted Loans"** means, at any time, all Loans in the Portfolio that are or have been the subject of repossession proceedings by or on behalf of the Issuer or in respect of which the related Mortgaged Property has been repossessed by or on behalf of the Issuer, in each case from and including the Issue Date.

**Application of Monies Released from the Liquidity Reserve Fund**

On the Interest Payment Date falling in June 2018, the Liquidity Reserve Fund will form part of Available Revenue Receipts.

**Application of Monies Released from the General Reserve Fund**

On the Interest Payment Date on which the Class A Notes are redeemed in full, the General Reserve Fund (including the Transition Reserve Fund and the Liquidity Reserve Fund) will form part of Available Revenue Receipts.

**Application of Available Revenue Receipts prior to the Service of a Note Acceleration Notice on the Issuer**

On each Interest Payment Date prior to the service of a Note Acceleration Notice on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that such funds are available in the relevant Bank Account and payments or provisions of a higher priority have been made in full) (the **"Pre-Acceleration Revenue Priority of Payments"**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof:
  - (i) any costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Note Trustee or any Appointee under the provisions of the Trust Deed and the

- other Transaction Documents together with (if payable) value added tax ("VAT") thereon as provided therein;
- (ii) any costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts then due and payable to the Agent Bank and the Principal Paying Agent and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with VAT thereon as provided therein;
  - (ii) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the Pre-Acceleration Revenue Priority of Payments or the Pre-Acceleration Principal Priority of Payments), and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period;
  - (iii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with VAT thereon as provided therein; and
  - (iv) any amounts then due and payable to the Back-up Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Back-up Administrator in the immediately succeeding Interest Period under the provisions of the Back-up Administration Agreement or otherwise, together with VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank in the immediately succeeding Interest Period under the provisions of the Bank Account Agreement, together with VAT thereon as provided therein;
  - (vi) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction of any amounts due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator in the immediately succeeding Interest Period under the provisions of the Administration Agreement, together with VAT thereon as provided therein;
- (d) *fourth*, to pay the Issuer for deposit in the GIC Account and credit to the Issuer Margin Ledger an amount equal to £38,158 per annum (payable in quarterly instalments in arrear) from (and including) the Interest Payment Date falling in September 2012 until (and including) the Interest Payment Date falling in September 2014, and, thereafter, £2,500

per annum (payable in quarterly instalments in arrear), to be retained by the Issuer as profit;

- (e) *fifth*, to pay *pro rata* interest due and payable on the Class A Notes;
- (f) *sixth*, sequentially:
  - (i) to credit the General Reserve Ledger up to the General Reserve Required Amount; and then
  - (ii) to credit the Liquidity Reserve Ledger up to the Liquidity Reserve Required Amount;
- (g) *seventh*, sequentially:
  - (i) to make provision for a credit to the Class A Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon; and then
  - (ii) to pay any Required Redemption Amount;
- (h) *eighth*, to make provision for a credit to the Class B Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon;
- (i) *ninth*, to pay any Principal Reimbursement Due;
- (j) *tenth*, to pay *pro rata* interest due and payable on the Class B Notes;
- (k) *eleventh*, to pay all amounts of interest due or accrued (if any) but unpaid, any capitalised interest and amounts of principal due or accrued (if any) but unpaid to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (l) *twelfth*, to pay any deferred consideration due and payable under the Mortgage Sale Agreement to the Seller (the "**Deferred Consideration**").

The Issuer shall pay or provide for amounts due under the Pre-Acceleration Revenue Priority of Payments before paying amounts due under the Pre-Acceleration Principal Priority of Payments.

#### 1.6 **Priority of Payments from Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer**

Prior to the service of a Note Acceleration Notice on the Issuer, the Cash Manager (on behalf of the Issuer) is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the "**Pre Acceleration Principal Priority of Payments**") in each case only to the extent that such funds are available in the relevant Bank Account and payments of a higher order of priority have been made in full:

- (a) *first, pro rata* towards repayment of the Principal Amounts Outstanding of the Class A Notes;
- (b) *second, pro rata* towards repayment of the Principal Amounts Outstanding of the Class B Notes; and
- (c) *third*, in repayment of any Deferred Consideration.

#### 1.7 **Priority of Payments from Available Principal Receipts and Available Revenue Receipts following the Service of a Note Acceleration Notice on the Issuer**

Following the service of a Note Acceleration Notice on the Issuer the Security Trustee will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer

(including, for the avoidance of doubt, on enforcement of the Security) in the following order of priority (the "**Post-Acceleration Priority of Payments**" and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, the "**Priority of Payments**"), and in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full :

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any costs, charges, liabilities, expenses and all other amounts then due to the Note Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
  - (ii) any costs, charges, liabilities, expenses and all other amounts then due to the Security Trustee, any Receiver appointed by the Security Trustee or any other Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any amounts then due and payable to the Agent Bank and the Principal Paying Agent and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with VAT thereon as provided therein;
  - (ii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with VAT thereon as provided therein; and
  - (iii) any amounts due and payable to the Back-up Administrator and any costs, charges, liabilities and expenses then due and payable to the Back-up Administrator under the provisions of the Back-up Administration Agreement or otherwise, together with VAT thereon as provided therein;
  - (iv) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with VAT thereon as provided therein; and
  - (v) any amounts then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due and payable to the Account Bank under the provisions of the Bank Account Agreement, together with VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction of any amounts due and payable to the Administrator and any costs, charges, liabilities and expenses then due to the Administrator under the provisions of the Administration Agreement, together with VAT thereon as provided therein;
- (d) *fourth*, to pay the Issuer for deposit in the GIC Account and credit to the Issuer Margin Ledger an amount equal to £38,158 per annum (which shall accrue in quarterly instalments in arrear, but only in respect of complete Interest Periods) from (and including) the Interest Payment Date falling in September 2012 until (and including) the Interest Payment Date falling in September 2014, and, thereafter, £2,500 per annum (which shall accrue in quarterly instalments in arrear, but only in respect of complete Interest Periods), to be retained by the Issuer as profit;

- (e) *fifth*, to pay *pro rata* in full all amounts of interest and principal on the Class A Notes;
- (f) *sixth*, to pay *pro rata* in full all amounts of interest and principal on the Class B Notes;
- (g) *seventh*, to pay all amounts of interest due or accrued (if any) but unpaid and any capitalised interest and amounts of principal due but unpaid to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (h) *eighth*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

## 2. Issuer Covenants

The Issuer makes the covenants set out in clause 15 (*Covenants by the Issuer*) of the Trust Deed (the "**Issuer Covenants**") which, amongst other things, restrict the ability of the Issuer to create any security interest, incur any indebtedness, dispose of assets or change the nature of its business, without the prior written consent of the Note Trustee. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

## 3. Interest

### 3.1 Interest Accrual

Subject to and in accordance with these Conditions (and, in particular, Condition 14 (*Subordination by Deferral*)) each Note bears interest on its Principal Amount Outstanding (calculated as provided under Condition 3.4 (*Determination of Rate of Interest and Interest Amounts*) below) from (and including) the Issue Date and interest shall be due and payable on each Class of Notes on each Interest Payment Date. Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 4 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

### 3.2 Interest Payment Dates

Subject to and in accordance with these Conditions (and, in particular, Condition 14 (*Subordination by Deferral*)) interest on the Notes is payable in Sterling quarterly in arrear on the 21<sup>st</sup> day of March, June, September and December in each year (or, if such day is not a Business Day, the next succeeding Business Day) (each such day an "**Interest Payment Date**").

The first Interest Payment Date will be the Interest Payment Date falling in September 2012.

In these Conditions, "**Interest Period**" shall mean in respect of interest payments made in respect of the Notes, the period from (and including) an Interest Payment Date (or, in respect of the first Interest Period, the Issue Date) to (but excluding) the next following (or first) Interest Payment Date.

### 3.3 Rate of Interest

The rate of interest payable from time to time in respect of each class of Notes (each a "**Rate of Interest**" and together the "**Rates of Interest**") will be determined on the basis of the provisions set out in the remainder of this Condition 3.3 below.

The Rate of Interest payable from time to time in respect of the Class A Notes and Class B Notes will be determined as follows:

- (i) the rate of interest payable shall be a floating rate of interest calculated in accordance with paragraphs (ii), (iii) and (iv) below;

- (ii) on the initial Interest Determination Date (as defined below), the Agent Bank will determine the Initial Relevant Screen Rate in respect of the Class A Notes and Class B Notes as at or about 11.00 a.m. (London time) on that date. If the Initial Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for four and five month Sterling deposits of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on such initial Interest Determination Date, and the Rate of Interest for the first Interest Period for the Class A Notes and Class B Notes shall be the aggregate of (A) the Relevant Margin and (B) the Initial Relevant Screen Rate in respect of the Class A Notes and Class B Notes, or, if the Initial Relevant Screen Rate is unavailable, the linear interpolation of the arithmetic mean of such offered quotations for four and five month Sterling deposits (rounded upwards, if necessary, to five decimal places);
- (iii) on each subsequent Interest Determination Date in the case of the Class A Notes and Class B Notes, the Agent Bank will determine the Relevant Screen Rate in respect of the Class A Notes and Class B Notes, as at or about 11.00 a.m. (London time) on the Interest Determination Date in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three month Sterling deposits of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date and the Rate of Interest for the relevant Interest Period for the Class A Notes and Class B Notes shall be the aggregate of (A) the Relevant Margin and (B) the Relevant Screen Rate or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Sterling deposits (rounded upwards, if necessary, to five decimal places); and
- (iv) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and between two and four of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period for the Class A Notes shall be determined in accordance with the provisions of sub paragraphs (ii) and (iii) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks are in the opinion of the Issuer suitable for such purpose) and the Rate of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rate of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which sub paragraph (ii) or (iii), as the case may be, shall have applied but, taking account of any change in the Relevant Margin.
- (v) There will be no minimum or maximum Rate of Interest,

In these Conditions (except where otherwise defined), the expression:

- (i) "**Business Day**" means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London, Belfast and Dublin;



- (ii) **"Initial Relevant Screen Rate"** means the linear interpolation of the arithmetic mean of the offered quotations to leading banks for four and five month Sterling deposits in the London interbank market (rounded upwards, if necessary, to five decimal places), displayed on the Reuters Screen page LIBOR01 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Agent Bank with the approval of the Issuer;
- (iii) **"Interest Determination Date"** means the first day of the Interest Period for which the relevant rate will apply.
- (iv) **"Relevant Margin"** means in respect of each class of the Notes the following per cent. per annum:

**Class**

Class A Notes	Prior to the Step-Up Date, 1.50 per cent. and, from and including the Step-Up Date, 3.50 per cent.
Class B Notes	Zero.

- (v) **"Relevant Screen Rate"** means:
  - A. in respect of the initial Interest Determination Date and the first Interest Period, the Initial Relevant Screen Rate, if any; and
  - B. in respect of each subsequent Interest Determination Date and subsequent Interest Periods of the Class A Notes and the Class B Notes, the arithmetic mean of offered quotations for three-month Sterling deposits in the London interbank market (rounded upwards, if necessary, to five decimal places) displayed on the Reuters Screen page LIBOR01 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Agent Bank with the approval of the Issuer;
- (vi) **"Reference Banks"** means the principal London office of each of five major banks engaged in the London interbank market, selected by the Agent Bank with the approval of the Issuer; and
- (vii) **"Step-Up Date"** means the Interest Payment Date falling in June 2017.

**3.4 Determination of Rate of Interest, Interest Amounts**

The Agent Bank shall, as soon as practicable after 11.00 am (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the Sterling amount (the **"Interest Amounts"**) payable in respect of interest on the Principal Amount Outstanding of each class of the Notes for the relevant Interest Period. The Interest Amounts shall be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of each Note, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 or in the case of an Interest Period ending in a leap year, 366, and rounding the resulting figure downwards to the nearest penny.

**3.5 Publication of Rate of Interest, Interest Amounts and Interest Payment Date**

The Agent Bank shall cause the Rates of Interest, the Interest Amounts and Interest Payment Date (for each Interest Period) to be notified to the Issuer, the Cash Manager, the Note Trustee and the Principal Paying Agent, and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed, and to be published in accordance with Condition 13 (*Notice To*

*Noteholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

### 3.6 **Determination by the Note Trustee**

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions, determine the Rates of Interest and Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above, it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 3.4 (*Determination of Rate of Interest and Interest Amounts*) (or, in each case, the Note Trustee may, at the expense of the Issuer, employ an expert to do so) and any such determination shall be deemed to be determinations made by the Agent Bank.

### 3.7 **Notifications, etc. to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, bad faith or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Principal Paying Agent and all Noteholders and (in the absence of wilful default, gross negligence, bad faith or manifest error) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 3.

### 3.8 **Agent Bank**

The Issuer shall procure that, so long as any of the Notes remains outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

### 3.9 **Determinations and Reconciliation**

- (a) For so long as the Class A Notes are outstanding, if the Cash Manager does not receive an Administrator Report with respect to a Collection Period (each such period being a "**Determination Period**") by the date which is three Business Days prior to the Interest Payment Date immediately following such Determination Period from the Administrator or Back-up Administrator, as applicable, then the Cash Manager shall use its best efforts to prepare an Investor Report using the Administrator Reports in respect of the three most recent Collection Periods (or, where there are not at least three previous Administrator Reports, any previous Administrator Reports received in respect of preceding Collection Periods) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 3.9. When the Cash Manager receives the Administrator Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 3.9(c). Any (i) calculations properly done on the basis of such estimates in accordance with Conditions 3.9(b) and/or 3.9(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 3.9(b) and/or 3.9(c), shall be deemed to be done in accordance with the provisions of the Transaction Documents, will in themselves not lead to an Event of

Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.

- (b) On any Calculation Date in respect of a Determination Period, the Cash Manager shall:
- (i) determine the Interest Determination Ratio by reference to the three most recently received Administrator Reports (or, where there are not at least three previous Administrator Reports, any previous Administrator Reports received in respect of preceding Collection Periods);
  - (ii) calculate the Revenue Receipts for such Determination Period as the product of (i) the Interest Determination Ratio and (ii) all amounts standing to the credit of the GIC Account as of the Collection Period End Date in respect of such Determination Period less the amounts standing to the credit of the Issuer Margin Ledger, General Reserve Ledger, the Liquidity Reserve Ledger and the Transition Reserve Ledger as of the immediately preceding Interest Payment Date (after taking into account all payments made on such Interest Payment Date) (the "**Calculated Revenue Receipts**"); and
  - (iii) calculate the Principal Receipts for such Determination Period as the product of (i) 1 minus the Interest Determination Ratio and (ii) all amounts standing to the credit of the GIC Account as of the Collection Period End Date in respect of such Determination Period less the amounts standing to the credit of the Issuer Margin Ledger, General Reserve Ledger, the Liquidity Reserve Ledger and the Transition Reserve Ledger as of the immediately preceding Interest Payment Date (after taking into account all payments made on such Interest Payment Date) (the "**Calculated Principal Receipts**").

"**Interest Determination Ratio**" means (i) the aggregate Revenue Receipts calculated in the three preceding Administrator Reports (or, where there are not at least three previous Administrator Reports, any previous Administrator Reports received in respect of preceding Collection Periods) divided by (ii) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Administrator Reports. For the avoidance of doubt, Early Repayment Charges shall be excluded from "Revenue Receipts" for the purposes of the calculation of the Interest Determination Ratio to the extent that such Early Repayment Charges were paid directly to the Seller on the Interest Payment Date immediately following the relevant Collection Period;

- (c) Following any Determination Period, upon receipt by the Cash Manager of the Administrator Report in respect of such Determination Period, the Cash Manager shall reconcile the calculations of Calculated Revenue Receipts and Calculated Principal Receipts made in accordance with Condition 3.9(b) above to the actual Revenue Receipts and Principal Receipts set out in such Administrator Report by allocating the Reconciliation Amount on the Interest Payment Date immediately following receipt by the Cash Manager of such Administrator Report as follows:
- (i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the actual Revenue Receipts (excluding, save following the occurrence of an Administrator Termination Event or a Perfection Event which is continuing at the relevant time, Early Repayment Charges received during the relevant Determination Period, which shall instead be paid directly to the Seller) as determined in accordance with the available Administrator Report, as Available Principal Receipts on the Interest Payment Date immediately following receipt by the Cash Manager of such Administrator Report;
  - (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the actual Principal Receipts as determined in accordance with

the available Administrator Report, as Available Revenue Receipts on the Interest Payment Date immediately following receipt by the Cash Manager of such Administrator Report,

and, for the avoidance of doubt, the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for the Collection Period immediately preceding the relevant Interest Payment Date in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer, the Note Trustee, the Agent Bank and the Principal Paying Agent of such Reconciliation Amount.

**"Reconciliation Amount"** means in respect of all immediately sequential Collection Periods which are Determination Periods, the aggregate amount of (i) the actual Principal Receipts as determined in accordance with the available Administrator Reports, less (ii) the Calculated Principal Receipts in respect of such Collection Periods. For the avoidance of doubt, any Reconciliation Amount which is not applied on an Interest Payment Date due to insufficient available funds, following application of the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, will remain outstanding and will be deferred to the next Interest Payment Date to the extent only of any insufficiency of funds.

- (d) The Cash Manager shall not be required to prepare or publish any restated Investor Reports for previous Determination Periods if it has already provided an Investor Report in respect of such periods in accordance with Condition 3.9(a) above.

#### 4. **Payments**

##### 4.1 **Payment of Interest and Principal**

Subject to and in accordance with these Conditions (and, in particular, Condition 14 (*Subordination by Deferral*)) payments in respect of principal and interest in respect of the Global Notes will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders in accordance with Condition 13 (*Notice to Noteholders*) for such purpose, subject, in the case of the Temporary Global Notes, to certification of non-US beneficial ownership as provided in such Temporary Global Note. Each payment of principal or interest made in respect of the Global Notes will be recorded by the Clearing Systems in their records (which records are the records each relevant Clearing System holds for its customers and reflect such customers' interest in the Notes) and such records shall be prima facie evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the Global Note. The Issuer shall procure that each payment shall be entered pro rata in the records of the relevant Clearing System but any failure to make such entries shall not affect the discharge referred to above.

##### 4.2 **Laws and Regulations**

Payments of principal and interest in respect of the Notes are subject, in all cases, to any fiscal or other laws and regulations applicable thereto. Except for any customary commissions or expenses payable by holders of securities in accordance with the ICSDs applicable Rules and Regulations, Noteholders will not be charged commissions or expenses on payments, which will be borne by the Issuer.

##### 4.3 **Payment of Interest following a Failure to pay Principal**

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with

Condition 3.1 (*Interest Accrual*) will be paid in accordance with this Condition 4 but subject to and in accordance with these Conditions.

#### 4.4 **Change of Principal Paying Agent**

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other agents, provided that there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London.

Except where otherwise provided in the Trust Deed, the Issuer will cause at least 30 days' notice of any change in or addition to the Principal Paying Agent or its specified offices to be given in accordance with Condition 13 (*Notice To Noteholders*) and will notify the Rating Agencies of such change or addition.

#### 4.5 **No Payment on non-Business Day**

If the date for payment of any amount in respect of a Note is not a Business Day, Noteholders shall not be entitled to payment until the next following Business Day and shall not be entitled to further interest or other payment in respect of such delay.

#### 4.6 **Payment of Interest**

If interest is not paid in respect of a Note of either class on the date when due and payable (other than because the due date is not a Business Day or by reason of non-compliance with Condition 4.1 (*Payment of Interest and Principal*), or by reason of Condition 6 (*Taxation*) or (in the case of the Class B Notes) Condition 14 (*Subordination by Deferral*)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and payment is duly made and notice thereof has been duly given in accordance with Condition 13 (*Notice To Noteholders*).

### 5. **Redemption**

#### 5.1 **Redemption at Maturity**

Unless previously redeemed in full and cancelled as provided below, the Issuer will redeem the Notes of both classes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in March 2044 (the "**Final Maturity Date**").

#### 5.2 **Mandatory Redemption in part**

- (a) Each Note shall, subject to Condition 5.3 (*Optional Redemption in Full*) and Condition 5.4 (*Optional Redemption For Taxation Reasons*), be repaid on each Interest Payment Date from the Available Principal Receipts, after payment, or provision for, amounts ranking in priority to the relevant Note, in accordance with the terms of the Pre-Acceleration Principal Priority of Payments.
- (b) With respect to each Note, on each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any principal repayment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of that Note, is the Principal Amount Outstanding of that Note on the Issue Date and the Pool Factor shall in each case (in the absence of wilful default, gross negligence, bad faith or manifest error) be final and binding on all persons.
- (c) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and Pool Factor to be notified to the Cash Manager (to the extent it is not the entity making the determination), the Agent Bank, the Note Trustee and the Principal

Paying Agent, and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed, and to be published as part of the Investor Report in respect of the relevant Calculation Date.

### 5.3 Optional Redemption of the Notes in Full

- (a) On giving not more than 60 nor less than 10 days' notice to the Noteholders in accordance with Condition 13 (*Notice to Noteholders*) and the Note Trustee and provided that:
- (i) on or prior to the Interest Payment Date on which such notice expires (the "**Optional Redemption Date**"), no Note Acceleration Notice has been served;
  - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with the Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Acceleration Priority of Payments); and
  - (iii) the Optional Redemption Date is any Interest Payment Date:
    - (1) from and including the Step-Up Date; or
    - (2) on which the aggregate Principal Amount Outstanding of the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Issue Date,

the Issuer may redeem on any Optional Redemption Date all (but not some only) of the Notes on such Optional Redemption Date.

- (b) Any Note redeemed pursuant to Condition 5.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note (calculated as provided under Condition 3.4 (*Determination of Rate of Interest and Interest Amounts*) above) up to but excluding the date of redemption.

### 5.4 Optional Redemption for Taxation Reasons

If:

- (a) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, on the next Interest Payment Date, the Issuer or the Principal Paying Agent would be required to deduct or withhold from any payment of principal or interest on any class of the Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of Notes of such class) any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature; or
- (b) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, any Borrower would be required to deduct or withhold from any payment of principal or interest on any Loan any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein,

then the Issuer shall, if the same would avoid the effect of such relevant event described in sub paragraph (a) or (b) above, appoint a Principal Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes, provided that the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders of each Class (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on any confirmation from the Rating Agencies that the then current ratings of the Class A Notes would not be downgraded or withdrawn as a result of such substitution).

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in sub-paragraph (a) or (b) above has occurred and that the appointment of a Principal Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 15 days' notice to the Note Trustee and Noteholders in accordance with Condition 13 (*Notice To Noteholders*) redeem all (but not some only) of the Notes on the next following Interest Payment Date at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon (calculated as aforesaid) up to (but excluding) the date of redemption provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (A) a certificate signed by two directors of the Issuer stating that one or more of the circumstances referred to in sub-paragraph (a) or (b) above prevail(s) and setting out details of such circumstances and (B) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer or the Principal Paying Agent or any Borrower (as the case may be) has or will become obliged to deduct or withhold amounts as a result of such change or amendment. The Note Trustee shall be entitled to rely upon and accept such certificate and opinion (without liability to any person) as sufficient evidence of the satisfaction of the circumstances set out in paragraph (a) or (b) above, in which event they shall be conclusive and binding on the Note Trustee and the Noteholders.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and all amounts required to be paid in priority to or *pari passu* with the Notes in accordance with the applicable Priority of Payments and provided that no Note Acceleration Notice has been served.

## 5.5 **Principal Amount Outstanding**

As used in these Conditions, the "**Principal Amount Outstanding**" of each class of the Notes on any date shall be their original principal amount on the Issue Date of:

- (a) in respect of Class A Notes, £316,624,000; and
- (b) in respect of Class B Notes, £121,913,000,

less the aggregate amount of all principal payments in respect of such class of the Notes which have been made since the Issue Date.

The Principal Amount Outstanding of an individual Note on a particular day will be the original principal amount of that Note on the Issue Date, less the aggregate amount of any principal repaid by the Issuer on or prior to such day.

## 5.6 **Notice of Redemption**

Any such notice as is referred to in Condition 5.3 (*Optional Redemption of the Notes in Full*) and Condition 5.4 (*Optional Redemption For Taxation Reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer (or, if applicable, its novatee) shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer (or, if applicable, its novatee) pursuant to Condition 5.3 (*Optional*

*Redemption of the Notes in Full*) or Condition 5.4 (*Optional Redemption For Taxation Reasons*) may be relied on by the Note Trustee without further investigation (and without liability to any person) and, if so relied on, shall be conclusive and binding on the Note Trustee and the Noteholders.

5.7 **No Purchase by the Issuer**

The Issuer will not be permitted to purchase any of the Notes.

5.8 **Cancellation**

All Notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

6. **Taxation**

6.1 Subject to Condition 6.2, all payments in respect of the Notes 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**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the Principal Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor the Principal Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

6.2 Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA Withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder or any other person for any FATCA Withholding deducted or withheld by the Issuer, the Principal Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA Withholding.

7. **Prescription**

Claims in respect of principal and interest on the Notes will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 7, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 13 (*Notice To Noteholders*).

8. **Events of Default**

8.1 **Class A Notes**

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall, (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) (provided that in the case of the happening of any of the events described in sub-paragraph 8.1(b) below, the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Noteholders) give notice (a "**Class A Note Acceleration Notice**") to the Issuer that both classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as



provided in the Trust Deed, and in accordance with the Post-Acceleration Priority of Payments in any of the following events (each, an "**Event of Default**"):

- (a) if default is made in the payment of any principal or interest due in respect of the Class A Notes or any of them and the default continues for a period of three Business Days in the case of principal or five Business Days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where in the opinion of the Note Trustee the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure is not (in the opinion of the Note Trustee) remedied within 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if an Insolvency Event occurs in respect of the Issuer; or
- (d) 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 Notes or any of the other Transaction Documents.

## 8.2 **Class B Notes**

This Condition 8.2 shall not apply as long as any Class A Note is outstanding. Subject thereto, for so long as any Class B Note is outstanding, the Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes then outstanding or if so directed by an Extraordinary Resolution of the Class B Noteholders shall, (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Class B Note Acceleration Notice**") to the Issuer that the Class B Notes are immediately due and repayable at their Principal Amounts Outstanding together with accrued interest as provided in the Trust Deed and in accordance with the Post-Acceleration Priority of Payments in any of the following events (each, an "**Event of Default**"):

- (a) if default is made in the payment of any principal or interest due in respect of the Class B Notes and the default continues for a period of three Business Days in the case of principal or five Business Days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 8.1(b) to (d) occurs (but, in the case of the happening of an event described in Condition 8.1(b) above, only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class B Noteholders).

## 8.3 **General**

Upon the service of a Class A Note Acceleration Notice or a Class B Note Acceleration Notice (each, a "**Note Acceleration Notice**") by the Note Trustee in accordance with Condition 8.1 (*Class A Notes*) or Condition 8.2 (*Class B Notes*) respectively, above, all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed in accordance with the Post-Acceleration Priority of Payments.

## 9. **Enforcement**

### 9.1 **General**

Each of the Note Trustee and the Security Trustee may, at any time, at its discretion and without notice, take such actions, steps or proceedings against the Issuer or any other party to any of the Transaction Documents or any other actions, steps or proceedings as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including these

Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps, actions or proceedings as it may think fit to enforce the Security, but neither of them shall be bound to take any such actions, steps or proceedings unless:

- (a) in the case of the Note Trustee, (subject in all cases to restrictions contained in the Trust Deed to protect the interests of any higher ranking class of Noteholders) it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders or (if there are no Class A Notes outstanding) the Class B Noteholders or so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or (if there are no Class A Notes outstanding) the Principal Amount Outstanding of the Class B Notes then outstanding;
- (b) in the case of the Security Trustee, it shall have been so directed or requested by the Note Trustee or, if no Notes remain outstanding, if so directed or requested in writing by all the other Secured Creditors; and
- (c) in all cases, it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

## 9.2 Preservation of assets

No Noteholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents unless the Note Trustee or, as the case may be, the Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, and provided that at no time shall any Noteholder be entitled to take any steps as would result in the presentation of a petition for the winding up of, or for an administration order in respect of, the Issuer or the filing of documents with the court or the service of a notice of intention to appoint an administrator, or commencing liquidation, or taking any action of an analogous nature in relation to the Issuer. The provisions of Clause 20.1 (*No Enforcement by Secured Creditors*) of the Deed of Charge apply to this Condition 9 *mutatis mutandis*.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

## 9.3 Limited recourse

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under or pursuant to the Deed of Charge (the "**Charged Assets**"). If:

- (i) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (ii) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and
- (iii) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any), interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any), interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

## 10. Meetings of Noteholders, Modification and Waiver

### 10.1 Convening meetings

The Trust Deed contains provisions for convening meetings of the Noteholders of each class and, in certain cases, more than one class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

### 10.2 Separate and Combined meetings

The Trust Deed provides that, except in the case of an Extraordinary Resolution relating to a Basic Terms Modification (which must be proposed separately to each Class of Noteholders) and subject to Condition 10.6 (*Relationship between Classes*):

- (a) an Ordinary Resolution or Extraordinary Resolution which in the opinion of the Note Trustee affects the Notes of only one Class of Notes shall be transacted at a separate meeting of the Noteholders of that Class;
- (b) an Ordinary Resolution or Extraordinary Resolution which in the opinion of the Note Trustee affects the Noteholders of more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one Class of Notes and the holders of another Class of Notes shall be transacted either at separate meetings of the Noteholders of each such Class of Notes or at a single meeting of the Noteholders of all such Classes of Notes as the Note Trustee shall determine in its absolute discretion; and
- (c) an Ordinary Resolution or Extraordinary Resolution which in the opinion of the Note Trustee affects the Noteholders of more than one Class of Notes and gives rise to any actual or potential conflict of interest between the Noteholders of one Class of Notes and the Noteholders of any other Class of Notes shall be transacted at separate meetings of the Noteholders of each such Class.

### 10.3 Request from Noteholders

Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of a Class of Notes then outstanding are entitled to request that the Issuer convene a Noteholders' meeting of that Class and, if the Issuer makes default for a period of seven days in convening such meeting, said meeting may be convened by the Note Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) or the requesting Noteholders.

### 10.4 Notice

At least 21 Clear Days' notice specifying the place, day and hour of meeting shall be given to the Noteholders prior to any meeting save for an adjourned meeting, in which case at least 10 Clear Days' notice specifying the place, day and hour of meeting shall be given to the Noteholders prior to such meeting. For the purposes of calculating a period of "**Clear Days**" in relation to a meeting, no account shall be taken of the day on which the notice of such meeting is given (or, in the case of an adjourned meeting, the day on which notice of such adjourned meeting is given) or the day on which such meeting is held (or such adjourned meeting is held, as the case may be).

### 10.5 Quorum

The quorum at any meeting convened to vote on:

- (a) an Ordinary Resolution or Extraordinary Resolution, other than in respect of a Basic Terms Modification, relating to a meeting of a particular Class or Classes of Notes will be one or more persons present and representing not less than 25 per cent. (in the case of an Ordinary Resolution) or 50 per cent. (in the case of an Extraordinary Resolution), in each case of the aggregate Principal Amount Outstanding of such Class of Notes then

outstanding or, at any adjourned meeting (other than in respect of a Basic Terms Modification), one or more persons being or representing a Noteholder of the relevant Class, whatever the aggregate Principal Amount Outstanding of the Notes of such Class held or represented by it or them; and

- (b) an Extraordinary Resolution relating to a Basic Terms Modification (which must be proposed separately to each class of Noteholders) will be one or more persons present and representing in aggregate not less than 75 per cent or, at any adjourned meeting, not less than 25 per cent. in each case of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding.

#### 10.6 **Relationship between Classes**

In relation to each Class of Notes:

- (a) an Extraordinary Resolution (other than in respect of a Basic Terms Modification) passed at any meeting of the Class A Noteholders shall be binding on the Class B Noteholders irrespective of the effect upon them;
- (b) an Extraordinary Resolution passed at any meeting of the Class B Noteholders shall not be effective for any purpose unless the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders; and
- (c) for the avoidance of doubt, an Extraordinary Resolution in relation to a Basic Terms Modification passed at a meeting of the Class A Noteholders shall not be binding on the Class B Noteholders unless and until such Basic Terms Modification is sanctioned by an Extraordinary Resolution of the Class B Noteholders.

#### 10.7 **Basic Terms Modifications**

A "**Basic Terms Modification**" means any proposal to:

- (a) sanction a modification of the date of maturity of the Notes of any Class, to change the amount of principal or interest due on any date in respect of the Notes of any Class or to alter the method of calculating the amount of any payment (including the Rate of Interest) in respect of the Notes of any Class;
- (b) (except in accordance with Condition 5.4 (*Optional Redemption For Taxation Reasons*)) effect the exchange, conversion or substitution of the Notes of any Class for, or the conversion of such Notes into shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed and/or for cash;
- (c) alter the currency of payment of the Notes of any Class;
- (d) alter the quorum or majority required in relation to this exception;
- (e) sanction a modification which would result in any material change to the constitution of the Charged Property;
- (f) amend the order of the Priority of Payments as set out in the Deed of Charge and Cash Management Agreement; or
- (g) alter this definition.

## 10.8 **Extraordinary Resolution and Ordinary Resolution**

**"Extraordinary Resolution"** means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than three-quarters of the votes cast; or
- (b) a resolution in writing signed by or on behalf of all the Noteholders of a Class of Notes then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class.

**"Ordinary Resolution"** means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Conditions by a clear majority of the votes cast; or
- (b) a resolution in writing signed by or on behalf of all the Noteholders of a Class of Notes then outstanding, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class.

## 10.9 **Matters requiring Extraordinary Resolution**

The following matters require an Extraordinary Resolution:

- (a) Sanctioning any compromise or arrangement proposed to be made between the Issuer, any other party to any Transaction Document, the Security Trustee, the Note Trustee, any Appointee and the Noteholders or any of them;
- (b) Sanctioning any abrogation, modification, compromise or arrangement in respect of the rights of the Note Trustee, the Security Trustee, any Appointee, the Noteholders, the Issuer or any other party to any Transaction Document against any other or others of them or against any of their property whether such rights arise under the Trust Deed, any other Transaction Document or otherwise;
- (c) Assenting to any modification of the provisions of the Trust Deed or any other Transaction Document which is proposed by the Issuer, the Note Trustee, the Security Trustee, or any other party to any Transaction Document or any Noteholder;
- (d) Giving any authority or sanction which under the provisions of the Trust Deed or any other Transaction Document is required to be given by Extraordinary Resolution;
- (e) Appointing any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;
- (f) Approving of a person to be appointed a trustee and/or removing the Note Trustee or any other trustees for the time being in respect of the Notes or the Security Trustee subject to and in accordance with the Trust Deed or in accordance with the relevant provisions in the Deed of Charge;
- (g) Discharging or exonerating the Note Trustee and/or the Security Trustee and/or any Appointee from all liability in respect of any act or omission for which the Note Trustee and/or the Security Trustee and/or such Appointee may have become responsible under the Transaction Documents;

- (h) Authorising the Note Trustee, the Security Trustee and/or any Appointee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;
- (i) Sanctioning any scheme or proposal for the exchange or sale of the Notes for or the conversion of the Notes into or the cancellation of the Notes in consideration of shares, stock, notes, Notes, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, Notes, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash; and
- (j) Approving the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Notes.

#### 10.10 **Modification and Waiver**

The Note Trustee may from time to time and at any time agree, and may direct or request the Security Trustee to agree, without the consent of the Noteholders:

- (a) to any modification (other than a Basic Terms Modification), or to any waiver or authorisation of any breach or proposed breach, of these Conditions or the Trust Deed or any other Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the Noteholders of either Class; or
- (b) to any modification of these Conditions, the Trust Deed or any other Transaction Documents which, in the opinion of the Note Trustee, is of a formal, minor or technical nature or to correct a manifest error.

#### 10.11

- (a) Notwithstanding Condition 10.10, the Administrator may, at any time, request (i) the Issuer and the Note Trustee to agree and (ii) the Note Trustee to direct the Security Trustee to agree amendments to or waivers in respect of any Transaction Documents and/or Conditions (the "**Transaction Amendments**"), irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class or any other parties to any Transaction Documents and irrespective of whether such amendments constitute or may constitute a Basic Terms Modification and the Issuer, the Note Trustee and the Security Trustee (on receipt of a direction from the Note Trustee) shall, subject to (b) below, enter into the Transaction Amendments (and, in the case of the Note Trustee, direct the Security Trustee to enter into the Transaction Amendments) without the consent of the Noteholders or any other Secured Creditors provided that the Amendment Conditions are satisfied (and any Transaction Amendments that do not satisfy the Amendment Conditions will not be subject to this Condition 10.11). "**Amendment Conditions**" means receipt of certification in writing from the Administrator signed by any two of its duly appointed attorneys certifying to the Issuer, the Note Trustee and the Security Trustee that:
  - (i) the Transaction Amendments are either:
    - (1) necessary to implement new credit rating criteria of one or more Rating Agencies or have been discussed with the relevant Rating Agency or Rating Agencies as being necessary, in each case in order to maintain the credit ratings then assigned to the Class A Notes; or
    - (2) necessary in order for the Issuer and the Notes to continue to comply with mandatory provisions of applicable law or regulation; and

- (3) in either case, the Transaction Amendments (A) implement the new credit rating criteria only to the extent required to maintain the credit ratings then assigned to the Class A Notes, (B) reflect the discussions with the relevant Rating Agency or Rating Agencies to the extent required to maintain the credit ratings then assigned to the Class A Notes or (C) ensure the Issuer and the Notes continue to comply with mandatory provisions of applicable law or regulation, as the case may be; and
    - (ii) the Rating Agencies have been notified of such proposed Transaction Amendments and, based upon such notification, the Administrator is not aware that the then current ratings of the Class A Notes would be adversely affected by such proposed Transaction Amendments.
  - (b) The Note Trustee and the Security Trustee shall not be obliged to agree to any such modifications or waivers which, in the opinion of the Note Trustee and/or the Security Trustee, would have the effect of (i) exposing the Note Trustee and/or the Security Trustee (as applicable) to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the protections of the Note Trustee and/or the Security Trustee (as applicable) in the Transaction Documents and/or the Conditions. Notwithstanding anything to the contrary in the other Transaction Documents, neither the Note Trustee nor the Security Trustee shall consider the interests of any other person in entering into such Transaction Amendments and the Note Trustee and Security Trustee, shall each rely without further investigation on any certification provided to it in connection with the Transaction Amendments and shall not be required to monitor or investigate whether the Administrator is acting in a commercially reasonable manner or be responsible for any liability that may be occasioned to any person by acting in accordance with these provisions based on written certifications it receives from the Administrator.
- 10.12 Without prejudice to Condition 8.1 (*Events of Default*), the Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such.
- 10.13 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification, waiver, authorisation or determination shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13 (*Notice To Noteholders*).
- 10.14 In connection with any such substitution of principal debtor as is referred to in Condition 5.4 (*Optional Redemption For Taxation Reasons*), the Note Trustee may also agree, without the consent of the Noteholders, to a change of the laws governing the Notes, these Conditions and/or the Trust Deed, provided that such change would not, in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders of either class.
- 10.15 The Security Trustee shall from time to time and at any time agree, without the consent of the Secured Creditors to any modification, or to any waiver or authorisation of any breach or proposed breach of any of the Conditions or the Trust Deed or any other Transaction Documents if directed to do so by the Note Trustee or if no Notes are outstanding, by all the other Secured Creditors.
- 10.16 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Security Trustee agrees otherwise, any such modification, waiver, authorisation or determination shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13 (*Notice To Noteholders*) and to the other Secured Creditors in accordance with the Transaction Documents.
- 10.17 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation,

determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of either Class, it shall have regard to the general interests of the Noteholders of such Class as a Class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

**11. Indemnification and Exoneration of the Note Trustee and the Security Trustee**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking any action, step or proceeding or, in the case of the Security Trustee, enforcing the Security unless indemnified and/or secured and/or prefunded to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and/or any affiliate thereof and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents and/or any affiliate thereof, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

**12. Replacement of Notes**

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

**13. Notice to Noteholders**

Whilst the Notes are represented by Global Notes, notices to Noteholders will be valid if delivered to Euroclear and Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

Whilst the Notes are listed on a recognised stock exchange, notices to Noteholders will also have to be delivered in accordance with the notification requirements of that exchange.

**14. Subordination by Deferral**

**14.1 Interest**

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 14, include any interest previously deferred under this Condition 14.1 and accrued interest thereon) payable in respect of the Class B Notes after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer shall be entitled (unless there are no Class A Notes



then outstanding) to defer to the next Interest Payment Date the payment of interest in respect of the Class B Notes to the extent only of any insufficiency of funds.

**14.2 General**

Any amounts of interest in respect of the Class B Notes otherwise payable under these Conditions which are not paid by virtue of this Condition 14 shall accrue interest at the same rate and on the same basis as interest in respect of the Class B Notes and together with such accrued interest thereon, shall in any event become payable on the next Interest Payment Date (unless and to the extent that Condition 14.1 then applies) or on such earlier date as the Class B Notes become due and repayable in full in accordance with these Conditions.

**14.3 Notification**

As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 14, the Issuer will give notice thereof to the Class B Noteholders in accordance with Condition 13 (*Notice To Noteholders*). Any deferral of interest in accordance with this Condition 14 will not constitute an Event of Default. The provisions of this Condition 14 shall cease to apply on the Final Maturity Date, at which time all deferred interest and accrued interest thereon shall become due and payable.

**15. Governing Law and Jurisdiction**

**15.1 Governing law**

The Notes and all non-contractual obligations arising from or connected with them are governed by, and shall be construed in accordance with, English law.

**15.2 Jurisdiction**

The Courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes may be brought in such Courts.

**16. Rights of Third Parties**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

### **USE OF PROCEEDS**

The Issuer will use the gross proceeds of the Class A Notes and Class B Notes principally to pay the Initial Consideration payable by the Issuer for the Portfolio to be acquired from the Seller on the Issue Date.

The Issuer's obligation to pay the Initial Consideration to the Seller will be satisfied in part by way of set-off (to the full extent of the issue price of the Class B Notes) against the amount payable by the Seller (as purchaser of the Class B Notes) in respect of the issue price of the Class B Notes under the Subscription Agreement.

## RATINGS

The Class A Notes, on issue, are expected to be assigned the following ratings by Fitch and S&P. The Class B Notes are not rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances so warrant.

<b>Class of Notes</b>	<b>Fitch</b>	<b>S&amp;P</b>
Class A Notes	AAAsf	AAA(sf)
Class B Notes	Not rated	Not rated

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the CRA Regulation).

## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales on 14 October 2011 (registered number 7811222) as a public limited company under the Companies Act 2006 (as amended). The registered office of the Issuer is 35 Great St. Helens', London EC3A 6AP. The telephone number of the Issuer's registered office is 020 7398 6300. The authorised share capital of the Issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, all of which are fully-paid up. All of the Issuer's issued share capital is beneficially owned by the Share Trustee.

The Issuer has no subsidiaries. The Seller does not directly or indirectly own any of the share capital of the Issuer.

The Issuer was established solely for the purpose of issuing the Notes. The activities of the Issuer will be restricted by its Memorandum and Articles of Association and the Transaction Documents and will be limited to the issues of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

Under the Companies Act 2006, the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with a corporate services agreement dated on or about the Issue Date between, amongst others, the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider will provide the Issuer's directors, a registered and administrative office, the arrangement of meetings of directors and shareholders, book-keeping services and procure the service of a company secretary and the preparation of accounts. No other remuneration is paid by the Issuer to or in respect of any director or officer of the Issuer for acting as such.

The Issuer has not engaged, since its incorporation, in any material activities other than those incidental to its registration as a public company under the Companies Act 2006 and to the proposed issues of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer, as necessary, intends to make a notification under the Data Protection Act 1998 and has received a consumer credit licence under the CCA. As at the date of this Prospectus, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2012.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the General Reserve Fund (including the Transition Reserve Fund and the Liquidity Reserve Fund) and the profit to be credited to the Issuer Margin Ledger).

### Directors

The directors of the Issuer and their respective business addresses and occupations are:

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
Robert Berry	35 Great St Helen's, London EC3A 6AP	Director
SFM Directors Limited	35 Great St Helen's, London EC3A 6AP	Corporate Director
SFM Directors (No.2) Limited	35 Great St Helen's, London EC3A 6AP	Corporate Director

The directors of each of SFM Directors Limited and SFM Directors (No.2) Limited and their principal activities are as follows:

<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
Jonathan Keighley	35 Great St Helen's, London EC3A 6AP	Director
James Macdonald	35 Great St Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St Helen's, London EC3A 6AP	Director
JP Nowacki	35 Great St Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St Helen's, London EC3A 6AP	Director
Jocelyn Coad	35 Great St Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St Helen's, London EC3A 6AP	Company Secretary
Michael Drew	35 Great St Helen's, London EC3A 6AP	Company Secretary

The business address of each of the directors of SFM Directors Limited and SFM Directors (No.2) Limited is 35 Great St. Helen's, London EC3A 6AP.

The company secretary of the Issuer is SFM Corporate Services Limited, whose principal office is at 35 Great St. Helen's, London EC3A 6AP.

### **Capitalisation Statement**

The following table shows the capitalisation of the Issuer as at the date of this Prospectus:

	£
<b>Authorised share capital</b>	
Ordinary shares of £1 each	50,000.00
<b>Issued share capital</b>	
50,000 ordinary shares, all fully paid	50,000.00

Since its date of incorporation, the Issuer has not commenced operations and no financial statements have been made up as of the date of this Prospectus.

In accordance with Article 41.6(c) of Directive 2006/43/EC of the European Parliament and of the Council and any relevant implementing measures of the United Kingdom, the Issuer does not consider it appropriate to have either an audit committee or an administrative or supervisory body entrusted to carry

out the functions of an audit committee, because the Issuer's principal business consists of the issue of the Notes, the purchase of the Loans and their Related Security and the application of principal, interest and other amounts received from or in connection with the Portfolio towards making payments of principal and interest on the Notes and paying certain fees, expenses and other related amounts and as such, the Issuer is not conducting an operating business.

**Corporate Services Provider**

Structured Finance Management Limited of 35 Great St. Helens', London EC3A 6AP.

## THE ACCOUNT BANK

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, the "**Barclays Group**") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Barclays Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-1 by S&P, P-1 by Moody's Investors Service Limited ("**Moody's**") and F1 by Fitch and the long-term obligations of Barclays Bank PLC are rated A+ by S&P, Aa3 by Moody's and A by Fitch. Each of the Rating Agencies and Moody's is a credit rating agency established in the European Union and registered under the CRA Regulation.

Based on the Barclays Group's audited financial information for the year ended 31 December 2010, the Barclays Group had total assets of £1,490,038 million (2009: £1,379,148 million), total net loans and advances of £465,741 million (2009: £461,359 million), total deposits of £423,777 million (2009: £398,901 million), and total shareholders' equity of £62,641 million (2009: £58,699 million) (including non-controlling interests of £3,467 million (2009: £2,774 million)). The profit before tax from continuing operations of the Barclays Group for the year ended 31 December 2010 was £6,079 million (2009: £4,559 million) after impairment charges and other credit provisions of £5,672 million (2009: £8,071 million). The financial information in this paragraph is extracted from the audited consolidated financial statements of Barclays Bank PLC for the year ended 31 December 2010.

## **AIB GROUP (UK) P.L.C.**

### **General**

The Seller is regulated by the FSA in the United Kingdom and is a wholly owned subsidiary of AIB Parent, whose registered office is at Bankcentre, Ballsbridge, Dublin 4, Ireland.

AIB Parent conducts retail and commercial banking business in Ireland through an extensive branch network across the country, as well as its head office in Dublin. Following the disposals in 2010 and 2011, of a number of overseas businesses in the USA and Poland, AIB Group (being AIB Parent together with all its subsidiaries) now has a limited but focused overseas presence, which includes its operations in the UK.

### **AIB Group Strategy**

AIB Group is a universal full-service domestic Irish pillar bank. As a leading retail, commercial and corporate bank, AIB Group's primary activities are focused on the island of Ireland with an extensive distribution network through which a wide range of banking products and services are offered. AIB Group has a limited but focused overseas presence including a niche retail and corporate banking operation in Great Britain.

### **AIB UK division**

2011 was a year of transition for the Seller. Against the backdrop of a difficult environment in the UK, and for AIB Group in Ireland, the Seller continued the restructuring of its balance sheet and on providing support to its customers. As a result, it is now looking forward to a period of growth.

### **Business Environment**

The Seller continued to operate, throughout 2011, in an environment dominated by the ongoing global banking crisis. Since mid 2009 the world economy has recovered somewhat but within advanced economies, including Britain, this recovery continues to be slow and uneven. The global crisis has had a significant adverse impact on UK banking markets, particularly on Irish banks operating in the UK. While concerns regarding the stability of the Irish banking system continued, since mid 2011 market sentiment towards Ireland significantly improved, while the focus of concern shifted more to Europe and the survival of the Euro.

The UK market segment operates in the two distinct markets of Great Britain and Northern Ireland, with different economies and operating environments. The market segment's activities are carried out primarily through the Seller, operating in the two markets under different trading names as further described below.

### **Great Britain**

In Great Britain, the Seller operates under the trading name 'Allied Irish Bank (GB)'. The head office is located in Mayfair, London with a significant back office operation in Uxbridge, West London and a divisional processing centre in Belfast. A full service is offered to business customers, professionals, and high net worth individuals.

Allied Irish Bank (GB) is positioned as a specialist business bank, providing a relationship focused alternative to UK high street banks. The bank offers a full range of banking services, including daily banking, deposits solutions, corporate banking and international management and personal banking offerings, delivered through the traditional branch network and online banking systems.

The Seller's mortgage business in Great Britain is a predominantly branch based origination process focussing on new and existing business customers of the Seller, together with some introductions from professionals.



## **Northern Ireland**

In this market, the Seller operates under the trading name First Trust Bank from 48 branches and outlets in Northern Ireland. The First Trust Bank head office is located in Belfast, together with the divisional processing centre.

A full service, including internet and telephone banking is offered to business and personal customers across the range of customer segments, including professionals and high net worth individuals, small and medium enterprises, as well as the public and corporate sectors.

Specialist services, including mortgages, credit cards, invoice discounting and asset finance are based in Belfast and delivered throughout the firm. First Trust Independent Financial Advisers provides sales and advice on regulated products and services, including protection, investment and pension requirements.

First Trust Bank is strongly rooted in the communities which it serves and supports a wide range of business, community and charitable initiatives, with strong links to the education sector in Northern Ireland.

The Seller's mortgage business in Northern Ireland is more retail in nature, with branch sourced applications supported by local advertising.

### **AIB Group (UK) p.l.c. business review for the financial year ending 31 December 2011**

The Seller reported a pre-tax loss of £788 million for 2011. This included losses totalling £237 million on the disposal/transfer of loan assets and a loss of £283 million on the transfer of Irish debt securities to the AIB Parent. In addition, credit and other provisions amounted to £211 million for the year. Excluding the losses on disposal/transfer of assets, the Seller made an operating loss before provisions of £57 million. When the cost of the Irish government guarantee scheme is also excluded, the Seller made an operating profit before provisions of £7 million.

During 2011, the Seller transferred further loans to the Irish National Asset Management Agency ("NAMA") and, to significantly deleverage the balance sheet and further reduce the loan to deposit ratio, transferred loans, mainly of poorer quality, to AIB UK Loan Management Limited ("AIB UKLM"), a direct subsidiary of AIB Parent.

In February 2011, the Seller acquired the UK customer deposits of Anglo Irish Bank as part of the Irish government's restructuring of the Irish banking system. The acquisition of these deposits significantly improved AIB UK Group's loan to deposit ratio.

The above actions have resulted in a smaller balance sheet with an improved asset quality, with a loan to deposit ratio of 101 per cent. and a total capital ratio of 21.7 per cent. at 31 December 2011. Consequently, the Seller Group is well positioned to implement its 2012-2016 Business Plan, which focuses on returning to its core strengths as a relationship business bank in Great Britain, and a community bank in Northern Ireland.

### **Allied Irish Bank (GB) business review for the financial year ending 31 December 2011**

Allied Irish Bank (GB) made an operating loss before taxation and provisions for 2011 of £29m. This was after excluding the losses incurred on the transfer of assets to NAMA and AIB UKLM.

Net interest income fell due to the decrease in the earning advances as a result of the transfer of assets in 2010 and 2011. Average deposit volumes fell by 25 per cent. over the year even with the acquisition of the Anglo Irish Bank UK deposits book early in 2011. The Anglo Irish Bank UK deposit book targets the retail savings market in the UK which is extremely competitively priced and as a result the Seller's margin on deposits deteriorated significantly following the acquisition of this deposit book.

Allied Irish Bank (GB) operating expenses for 2011 were down on 2010 by £8m mainly due to the recovery of costs from AIB UKLM, reduced staff numbers and the reduction in pension costs of the defined benefit

scheme following the injection of funding in late 2010 and early 2011. The provision for impairment charge for Allied Irish Bank (GB) of £104m for 2011 was a reduction of 56 per cent. on the charge for 2010.

### **First Trust Bank business review for the financial year ending 31 December 2011**

First Trust Bank made an operating loss before taxation and provisions for 2011 of £28m. This was after excluding the losses incurred on the transfer of assets to NAMA and AIB UKLM and excluding the loss on the transfer of the Irish debt securities. Net interest income was down to £16m for 2011 reflecting the impact of the reduced balance of earning advances due to the transfer of loans to AIB UKLM and NAMA in 2010 and 2011. The reduction in income from advances more than offset the impact of an increase in lending margins for First Trust Bank in 2011. The cost of deposits also increased reflecting the impact of falling deposit margins.

Operating expenses for First Trust Bank of £88m were down 10 per cent. on 2010. The reduction in costs was driven by reduced staff numbers, recovery of costs from AIB UKLM and reduced pension costs for the defined benefit scheme. The credit impairment charge for First Trust Bank of £158m was a reduction of £107m or 40 per cent. on 2010

### **Developments in Recent Years**

A key element of the AIB Parent's pre-crisis market positioning was its involvement in the Irish property sector, which was the fastest growing segment of the Irish economy. From the late 1990s to 2006, the mortgage market in Ireland expanded rapidly as housing prices soared, driven in part by economic and wage growth and a low interest rate environment.

The global financial system began to experience difficulties in mid-2007. This resulted in severe dislocation of international financial markets around the world, unprecedented levels of illiquidity in the global capital markets and significant declines in the values of nearly all asset classes. Governments throughout the world took action to support their financial systems and banks, given the critical role which properly functioning financial systems and banks play in economies.

Global financial market conditions triggered a substantial deterioration in domestic economic conditions and property values. In 2008, as the Irish economy started to decline and as interest rates continued to increase, housing oversupply persisted and mortgage delinquencies increased. Declining residential and commercial property prices also led to a significant slowdown in the construction sector in Ireland. As a result, loan impairments in the Irish construction and property and residential mortgage sectors, to which the AIB Parent was heavily exposed, increased substantially. These dynamics began to present funding and liquidity issues for the AIB Parent as well as a rapid deterioration in the AIB Parent's capital base.

The Irish government recognised the pressing need to stabilise Irish financial institutions and to create greater certainty for all stakeholders. A number of measures were implemented by the Irish government in response to the continuing crisis. These measures were taken to enhance the availability of liquidity and improve access to funding for the AIB Parent and other systemically important financial institutions in Ireland. The first action was the establishment of the Credit Institutions (Financial Support) ("CIFS") Scheme on 30 September 2008, by which the Minister for Finance guaranteed certain liabilities of covered institutions, including the AIB Parent, until 29 September 2010. This was followed by the € 3.5 billion subscription by the National Pension Reserve Fund Commission ("NPRFC") on 13 May 2009 for the 2009 Preference Shares and 2009 Warrants. Subsequently, the Minister for Finance established the Credit Institutions (Eligible Liabilities Guarantee) ("ELG") Scheme in December 2009 which facilitates participating institutions issuing debt securities and taking deposits during an issuance window until 30 June 2011 and with a maximum maturity of 5 years. The AIB Parent joined the ELG Scheme on 21 January 2010 and the ELG Scheme has since been extended to 31 December 2012 (this extension is subject to EU State Aid approval which has been received but which is due to expire on 30 June 2012, and will require an extension from that stage). In December 2009 the Irish government established the NAMA which has acquired certain performing and non-performing land and development and associated loans from participating banks, freeing up banks' balance sheets and facilitating the easier flow of credit throughout the Irish economy. AIB Group has transferred approximately € 20 billion of assets to NAMA.

The original Prudential Capital Assessment Review (“**PCAR**”) announced by the Central Bank of Ireland (the “**Central Bank**”) on 30 March 2010 imposed a requirement the AIB Parent, among other credit institutions, to strengthen and increase its capital base to help restore confidence in the Irish banking sector. The PCAR assessed the capital requirement of the AIB Parent and other Irish credit institutions in the context of expected losses and other financial developments, under both base and stress-case scenarios, over the period from 2010 to 2012.

Following the results of the original PCAR exercise, AIB Group disposed of its stake in M&T on 4 November 2010, a transaction which generated core tier 1 capital of € 0.9 billion. AIB Group announced, on 10 September 2010, the sale of its Polish interests to Banco Santander S.A. for a total cash consideration of € 3.1 billion. This transaction completed on 1 April 2011 and AIB Group generated core tier 1 capital of approximately € 2.3 billion as a result of the disposal. AIB Group also disposed of Goodbody Holdings Limited; AIB International Financial Services Limited; AIB Jerseytrust Limited; and its 49.99% shareholding in Bulgarian-American Credit Bank; and announced the disposal of AIB Asset Management Holdings (Ireland) Limited, including AIB Investment Managers.

The AIB Parent's capital position did not meet minimum 2010 year-end target requirements. As a result, on the Minister's application, the High Court issued, on 23 December 2010, a direction order under the Credit Institutions (Stabilisation) Act 2010 with the consent of the AIB Parent, directing the AIB Parent to issue € 3.8 billion of new equity capital to the NPRFC. This also resulted in the delisting of the AIB Parent's ordinary shares from both the Main Securities Market of the Irish Stock Exchange and from the Official List maintained by the UK Financial Services Authority. The AIB Parent's ordinary shares were subsequently admitted, in January 2011, to the Enterprise Securities Market of the Irish Stock Exchange. Furthermore, AIB Parent announced in August 2011 that its American Depository Shares (“**ADSS**”) have now been deemed to be delisted and have ceased to be traded on the New York Stock Exchange.

On 24 February 2011, AIB Group acquired deposits of € 7 billion and NAMA senior bonds with a nominal value of € 12 billion from Anglo Irish Bank, pursuant to a transfer order issued by the High Court under the Credit Institutions (Stabilisation) Act 2010. AIB Group also acquired Anglo Irish Bank Corporation (International) PLC in the Isle of Man, including customer deposits of almost € 1.6 billion.

On 1 July 2011, as part of the restructuring of the Irish banking system, the AIB Parent completed the acquisition of EBS for a nominal cash payment of € 1.00. EBS had € 19.2 billion of total assets, approximately € 16.0 billion of customer loans and € 10.1 billion of customer deposits at this date. This transaction represents a significant consolidation within the Irish banking sector, resulting in the formation of one of two pillar banks in Ireland.

On 31 March 2011, the Central Bank published its ‘Financial Measures Programme Report’, which detailed the outcome of PCAR 2011 and Prudential Liquidity Assessment Review (“**PLAR**”) 2011 for certain Irish credit institutions, including the AIB Parent and EBS. On this date, the Central Bank stated that it had set a new capital target for the AIB Parent and EBS, ultimately requiring the AIB Parent and EBS to generate a total of € 14.8 billion of additional capital. This additional capital requirement was satisfied through AIB Parent's placing of € 5.0 billion of new ordinary shares with the NPRFC, capital contributions totalling € 6.1 billion from the Minister for Finance and the NPRFC, the issue of € 1.6 billion of contingent capital notes at par to the Minister (which completed on 27 July 2011), and further burden-sharing measures undertaken with the AIB Parent subordinated debt-holders. Following these actions, the Irish State, through the NPRFC, now owns 99.8% of the ordinary shares of AIB Parent.

#### **Update on the AIB Group's EU restructuring plan**

The financial support provided to AIB Group by the Irish government, including the support as part of the July 2011 recapitalisation, is subject to review and approval by the European Commission under EU state aid rules. The Bank's original restructuring plan was submitted to the European Commission in November 2009. Following the capital injection from the Irish Government in December 2010, and the recapitalisation of the Bank by the Irish government in July 2011, an updated restructuring plan was submitted to the European Commission in July 2011. The AIB Parent expects European Commission approval of its restructuring plan in 2012.

The European Commission may require the AIB Parent to undertake structural and behavioural measures, including measures to support the development of competition in the Irish market.

**Material Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Seller or AIB Parent are aware) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Seller or AIB Parent.

**Principal Subsidiaries**

The Seller is a wholly owned subsidiary of AIB Parent and whilst having a number of subsidiaries, none of those which are trading are of significance.

## **THE BACK-UP ADMINISTRATOR**

Homeloan Management Limited ("**HML**") is a private limited company registered in England and Wales under number 2214839. HML (a wholly-owned subsidiary of Skipton Building Society, which is itself regulated by the FSA) has been appointed as the Back-up Administrator pursuant to the Back-up Administration Agreement and pursuant to which HML is responsible for the provision of certain mortgage settlement and related administration services.

HML is the largest third party residential mortgage administrator in the United Kingdom. HML is currently servicing over £40 billion of mortgage assets for 34 leading financial institutions.

The registered office and principal place of business of HML are The Bailey, Skipton, North Yorkshire BD23 1DN and Gateway House, Gargrave Road, Skipton, North Yorkshire BD23 2HL respectively. HML has a residential primary servicer rating of RPS2+ (Rating Watch Negative) by Fitch Ratings Limited and S&P's Primary Servicer rating of Above Average with a Stable Outlook.

## THE LOANS

*The following is a description of the Loans in the Portfolio, and a summary of the underwriting practices and lending criteria of the Seller at the date of this Prospectus.*

### Characteristics of the Loans

#### Mortgage Loan Products

The Portfolio will comprise traditional mortgages originated by the Seller and administered on its 'Loan Accounting' system, which include fixed rate, variable rate, tracker rate and discounted rate mortgages.

Each Borrower may have more than one mortgage sub-account incorporating different features. Each Loan is (or will, upon its origination, be) secured by a Mortgage over a property located in England, Wales, Scotland or Northern Ireland and is (or will, upon its origination, be) subject to the laws of the relevant jurisdiction.

The following is a description of the types of Loans included in the Portfolio:

- **Fixed Rate Loans ("Fixed Rate Loans"):** Loans subject to a fixed interest rate for a specified period of time (the "**Fixed Rate**") and which at the expiration of that period generally convert to become Variable Rate Loans, or another fixed rate Loan, by negotiation. An Early Repayment Charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term of the fixed interest rate term and may be 'stepped-down' over the fixed term, year by year.
- **Variable Rate Loans ("Variable Rate Loans"):** Loans subject to the standard variable rates set by the Seller for Loans originated as 'Allied Irish Bank (GB)' or as 'First Trust Bank' for the life of the Loan (taken together, the "**Seller Standard Variable Rate**") or until an alternative product that the Borrower qualifies for is selected by the Borrower. The Seller Standard Variable Rate for Loans originated in Great Britain and in Northern Ireland is set by the Seller by reference to the general level of interest rates and competitor rates in the United Kingdom mortgage market. Some Loans may be subject to a 'gross variable rate' which is different from the Seller Standard Variable Rate and either has a premium or discount attached to the Seller Standard Variable Rate prevailing at the time, as further described below. As at the date of this Prospectus, the 'Allied Irish Bank (GB) Standard Variable Rate' (which is the Seller Standard Variable Rate for Loans originated by the Seller acting as 'Allied Irish Bank (GB)') and the 'First Trust Standard Variable Rate' (which is the Seller Standard Variable Rate for Loans originated by the Seller acting as 'First Trust Bank') applicable to the relevant Loans in the Portfolio are both 4.24 per cent.
- **Discounted Rate Loans ("Discounted Rate Loans"):** These Loans allow the Borrower for a set period of time to pay interest at a specified discount to the Seller Standard Variable Rate. At the end of the discounted period generally the mortgages convert to the standard Variable Rate Loan. An Early Repayment Charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term of the discounted interest rate.
- **Tracker Rate Loans ("Tracker Rate Loans"):** These Loans are subject to a variable rate of interest that is linked to either the Seller's base rate (the "**First Trust Bank Base Rate**") in the case of Tracker Rate Loans advanced by the Seller acting as 'First Trust', or the Bank of England Base Rate (the "**Bank of England Base Rate**") in the case of Tracker Rate Loans advanced by the Seller acting as 'Allied Irish Bank (GB)', in each case plus (or potentially minus) an additional fixed percentage (the "**Tracker Rate**"), usually for the life of the Loan but, in some instances, for a fixed period. At the end of any fixed period, generally the Loans convert to a Variable Rate Loan or to another rate, subject to negotiation. The First Trust Bank Base Rate may not at all times be precisely the same as the Bank of England Base Rate then applying.

- **Combination Facilities:** It is possible for a Borrower to have a Loan that has a combination of any of the above rates, secured by a single Mortgage. The Seller also offers Loans which feature a combination of repayment types (most commonly, a combination of 'interest-only' and 'repayment', as further described below).

### Security for the Loans

Each Loan in the Portfolio is secured with a first priority English Mortgage, Northern Ireland Mortgage or Scottish Mortgage over a property located in England, Wales, Northern Ireland or Scotland (each a "Mortgage").

### Repayment Terms

Borrowers typically make payments of interest on, and repay principal of, their Loans using one of the following methods:

- **Repayment Loans:** the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the Borrower will have repaid the full amount of the principal of the Loan ("**Repayment Loans**").
- **Interest Only Loans (with a standard repayment vehicle plan):** the Borrower makes monthly payments of interest, but not of principal ("**Interest Only Loans**"). When the Loan matures, the entire principal amount of the Loan is still outstanding and the Borrower must repay that amount in one lump sum. The Borrower may be required to arrange a separate investment plan which will be administered by an organisation other than the Seller, which plan provides for a lump sum payment to coincide with the end of the mortgage term. Although these investment plans are typically forecast to provide sufficient sums to repay the principal balance of the Loan upon its maturity, to the extent that the lump sum payment is insufficient to pay the principal amount owing, the Borrower will be liable to make up any shortfall. These types of "**Standard Repayment Vehicle Plans**" include:
  - **Endowment:** the Borrower makes regular payments to a life assurance company which invests the premiums; the endowment policy is intended to repay the Loan at maturity;
  - **Pension Policy:** the Borrower makes regular payments to a personal pension plan; upon retirement, or plan maturity, the Borrower will receive a tax-free lump sum which is intended to repay the Loan;
  - **Individual Savings Accounts ("ISAs"):** the borrower makes contributions to a tax-free ISA account; once the value of the ISA equals or exceeds the outstanding mortgage debt, the Borrower may use those amounts to repay the Loan at any time thereafter or may wait to repay the Loan upon its maturity;
  - **Personal Equity Plans ("PEPs"):** similar to ISAs, the Borrower makes contributions to a tax-free PEP account and uses these amounts to repay the Loan. Although PEPs have been discontinued in the United Kingdom, some Loans with PEP repayment vehicles may be included in the Portfolio; and
  - **Unit Trusts:** the Borrower makes regular payments to the trustees of a unit trust, and the accumulated unit trust is used to repay the Loan by the end of its term.

The Seller does not verify that a Borrower has any such Standard Repayment Vehicle Plan in place, although it is a condition of the Loan that this is in place and the Borrower is reminded on an annual basis to this effect, via a statement message.

- **Interest Only Loans (without a Standard Repayment Vehicle Plan):** For some of the Borrowers, interest-only Loans have been agreed without requiring a Standard

Repayment Vehicle Plan, where it is asserted by the Borrower that repayment of the capital sum at the end of the Loan term will be derived from sale of the property, sale of other assets, cash or another credible alternative source.

- **Combination of Repayment and Interest-Only Loans ("Combination Loans"):** The Seller also offers a Loan product pursuant to which the repayment plan is 'interest only' for a period (for example, the first five years of the Loan term) before reverting to repayment Loan.

During the life of a Loan, a Borrower may with the consent of the Seller change the type of the Borrower's Loan from the 'repayment' type to an 'interest-only' type or vice versa. If a Borrower wishes to do so, it must make a request to the Seller and the Seller will give the Borrower written notice if it agrees to make the change.

The Seller does not now (and in some cases cannot) take security over Standard Repayment Vehicle Plans, and nor does the Seller take an assignment of life policies as security for any Loan. Investors should see the section of this Prospectus entitled '*Risk Factors — Interest-Only Loans*' for further details. The Seller does not require a note of its interest in any Buildings Insurance Policies, as more fully described below.

### **Flexible Terms**

A limited number of the Loans in the Portfolio were granted to the Borrower with either a ten or eleven month year as part of the terms. This was a feature of some Loans extended through the 'First Trust Bank' label only. Certain Loans advanced through the 'Allied Irish Bank (GB)' brand include a right of the Borrower to make an increased repayments (without charge) on one occasion per year, having the overall effect of reducing the Loan term.

### **Payment Holidays**

None of the Loans in the Portfolio have 'payment holidays' as terms of the Loan contract. Borrowers seeking payment holidays may apply to the Seller accordingly, and each case is then considered on its merits.

### **Partial Redemptions**

If a Borrower makes any lump sum reduction of the principal amount outstanding of a Loan (each a "**Partial Redemption**") the balance on which interest is charged will usually be reduced with effect from the day following receipt of funds.

Some Loans originated by the Seller under the name 'First Trust Bank' have annual interest capitalisation, where interest is calculated based on the outstanding balance at 1<sup>st</sup> April each year and is charged to the Mortgage Account, annually in arrears, after close of business on the following 31<sup>st</sup> March. For capital reductions of £200 and over, an interim re-calculation of interest will be carried out and the monthly repayment adjusted accordingly.

Partial Redemptions may be subject to Early Repayment Charges, as further described under the section entitled '*Early Repayment Charges*' immediately below.

If a Borrower makes a monthly payment which is less than the required monthly payment (an "**Unauthorised Underpayment**"), those Unauthorised Underpayments are treated by the Seller as arrears. If a Borrower pays more than the required monthly payment, this will be credited to the relevant account when it is received and in the first instance set off against any existing arrears on the Loan.

### **Early Repayment Charges**

A Borrower, if it wishes to do so, may repay the whole or any part of a Loan before its maturity date. In the case of repayment in full, the Borrower must pay to the Seller all sums owing to it in respect of the Loan by way of principal, interest and any associated fees (including, if the terms of the Loan so provide, an Early Repayment Charge) together with the Seller's expenses reasonably and properly incurred in connection



with such repayment. Some products offered by the Seller do not carry an Early Repayment Charge. Typically Early Repayment Charges apply during a stated period and are based on the prevailing rate of interest, a percentage or a stepped set of percentages.

All Early Repayment Charges will be calculated on the basis provided under the relevant offer terms in relation to a Loan. The Seller retains absolute discretion to waive or enforce Early Repayment Charges in accordance with its policy from time to time. Any Early Repayment Charges which may become payable on the Loans that are sold to the Issuer will not (save following an Administrator Termination Event or a Perfection Event which is continuing) comprise Revenue Receipts.

### **Interest Payments and Setting of Interest Rates**

Each Loan in the Portfolio accrues interest at a fixed or a variable rate, as described in more detail under '*Mortgage Loan Products*' above.

Except in limited circumstances as set out in the section of this Prospectus entitled '*Summary of the Key Transaction Documents — The Administration Agreement — Undertakings by the Administrator*', the Administrator on behalf of the Issuer is responsible for setting the applicable interest rate and margin on the Loans in the Portfolio.

Interest on the Loans in the Portfolio is calculated on a daily basis on the outstanding balance of the Loan and is charged to the Borrower's mortgage account on the date of the Borrower's first payment under the Loan, and monthly thereafter.

The exception to this is certain Loans in the Portfolio in respect of which interest is calculated by reference to the standard variable rate set by the Seller as 'First Trust Bank', for which interest is calculated on an annual basis on the first day of April each year, based on the balance outstanding as of the morning of that date. This annual amount is charged to the Borrower's mortgage account annually in arrears. The rate of interest charged will be adjusted to reflect movements in the Seller's base rate from time to time, although the balance outstanding on which the rate of interest is charged will be fixed as the balance outstanding at the first day of April each year.

### **Buy to Let Loans**

Certain of the Loans in the Portfolio are Loans of a type where the relevant Borrower has applied to the Seller for a Loan to enable them to buy a residential property for letting and derive both a rental income and the opportunity for capital growth ("**Buy to Let Loans**").

A maximum of 75 per cent. loan to value ratio is currently available, but this has historically been at 80 per cent. for most Loans originated by the Seller as 'Allied Irish Bank (GB)', and 90 per cent. for most Loans originated as 'First Trust Bank' (and greater in both cases in some limited instances where the Seller has assessed the relevant Borrower to be a sufficiently good credit and/or where a "portfolio view" of other associated lending and income streams was taken). Typically, 125 per cent. rental cover in respect of the instalment amount (quoted on a monthly basis) is required for most Loans originated by the Seller as 'Allied Irish Bank (GB)', and for most Loans originated as "First Trust Bank" 70 per cent. of the rental income could be added to Borrowers' earned income and used to calculate overall affordability of the Loan (with the remainder to come from personal income).

### **Further Advances**

A Borrower may apply to the Seller for a further amount to be lent under the Loan. This further amount is secured by the same Mortgaged Property as the Loan, and will be added as a separate sub-account to the Loan. Any Further Advance made by the Seller will not be added to the Outstanding Principal Balance of that Borrower's Loan for the purposes of determinations made in respect of the Portfolio, and the relevant Loan and its Related Security will be repurchased by the Seller from the Issuer on the Interest Payment Date immediately following the end of the Collection Period during which the relevant Further Advance is made. The aggregate of the outstanding amount of the Loan and the Further Advance may be greater than the original amount of the Loan.

Investors should see the section of this Prospectus entitled "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Further Advances*" for further details of the repurchase of Further Advances by the Seller from time to time.

### **Product Switches**

From time to time a Borrower may request, or the Seller or the Administrator or, following Invocation, the Back-up Administrator (on behalf of the Seller) may offer, in limited circumstances, a variation in the financial terms and conditions applicable to the Borrower's Loan. In addition, in order to promote the retention of Borrowers, the Seller may periodically contact certain Borrowers in respect of the Seller's total portfolio of outstanding mortgage Loans in order to encourage a Borrower to review the Seller's other mortgage products and to discuss moving the relevant Loan to an alternative mortgage product. Any such variation (subject to certain exceptions) is referred to in this Prospectus as a "**Product Switch**".

A Loan which is subject to a Product Switch may remain in the Portfolio, subject to the satisfaction of certain conditions contained in the Mortgage Sale Agreement. Investors should see the section of this Prospectus entitled '*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Product Switches*' for further details.

### **Arrears Capitalisation**

From time to time, where a Borrower has demonstrated a regular payment history following previous arrears, the Seller may capitalise any outstanding amounts in arrears. In those circumstances, the Seller will set the arrears to zero and the related Loan will no longer be considered to be in arrears. The outstanding balance will be required to be repaid over the remaining term of the Loan although the Seller may agree, in exceptional circumstances, to extend the term of the Loan. Where arrears are capitalised in relation to a Loan within the Portfolio, no extension will be made which results in the maturity date for that Loan exceeding the date which falls two years prior to the latest Final Maturity Date for the Notes.

### **Loans excluded from the Portfolio**

The types of loan products which were excluded from the Portfolio include: any flexible loan product where the Borrower has exercisable redraw rights under the relevant Mortgage Loan; any mortgage loan under which the Borrower is contractually entitled to set off funds held in their linked current account or deposit accounts against any balance on the mortgage loan to reduce the net balance on which interest payable on the mortgage loan is charged; all 'Right to Buy Loans'; loans to employees of AIB Parent or any of its subsidiaries which were advanced on preferential terms ("**Staff Loans**"); any mortgage loan under which the Borrower has not drawn the full amount; 'Gold Account' loans.

For the purposes of this Prospectus, a "**Right to Buy Loan**" means a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under the Housing Act 1985 and the Housing Act 1996 (each as amended and updated from time to time) (in the case of English Mortgages) and the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001 (in the case of Scottish Mortgages));

### **Origination of the Loans**

The Seller conducted its mortgage lending business at the relevant times through the following resources:

- the Allied Irish Bank (GB) and First Trust Bank branch networks throughout the United Kingdom;
- a specialist unit in First Trust Bank dealing only with brokers; and
- other introducers across the UK market, including solicitors, accountants, estate agents and independent financial advisors.

Until its expiration, the Seller adopted the Council of Mortgage Lenders (CML) Voluntary Code ("**Mortgage Code**") which was observed by most banks, building societies and other residential mortgage lenders in the

United Kingdom. The Mortgage Code ceased to have effect on 31 October 2004 when the FSA Mortgage Conduct of Business Rules came into effect.

The Mortgage Code required lenders, among other things, to act fairly and reasonably with their borrowers and in certain circumstances assist borrowers in choosing a mortgage that met the needs of the relevant borrower. Investors should see the section of this Prospectus entitled "*Risk Factors — Certain Regulatory Considerations*" for a more detailed discussion of the regulatory environment in which the Seller operates.

Since 31 October 2004 the Seller has adhered to the FSA Mortgage Conduct of Business Rules.

### **Underwriting**

The decision to offer a Loan to a potential Borrower is currently made by the Seller, using a combination of existing knowledge of branch underwriters, credit reference agency data and certain policy guidelines which are considered by one of the Seller's underwriters located either in a branch or centrally. Branch underwriting discretions have now been completely withdrawn. Each underwriter will have undergone suitable credit training prior to being provided with the authority to approve mortgage Loans. Various levels of authority have been established for the underwriters who approve mortgage Loan applications. The levels are differentiated according to experience, location and on occasion, by product type and value of the Loan. The quality of underwriting decisions is also monitored on a regular basis by the Seller's credit review function.

The risk profile will take account of the credit references, size of Loan, Loan to value, Loan type, security type and location.

In all cases an affordability calculation will form a key element of the lending decision, and this will also be informed, where appropriate by the Seller's background knowledge of the Borrower and also any associated business, where the Seller assesses a Loan request from an existing customer of the branch network.

### **Lending Criteria**

#### **Summary**

The Loans in the Portfolio were or will be originated according to the Seller's lending policies at the applicable time the Loan was or is offered. Approximately 20.10 per cent. by value of the Loans in the Portfolio were secured on Properties in Northern Ireland, with the remainder being secured on Properties in Great Britain.

The Seller's lending criteria currently in force have been tightened since the 2008 credit crisis to reflect the credit environment subsisting at the date of this Prospectus, but whilst the Seller's earlier policies differed in some detailed respects from the policies now in place, they were in all cases considered appropriate for a Reasonable, Prudent Mortgage Lender at the relevant time.

Subject to the above, the lending criteria applied in the origination of each Loan included in the Portfolio as of the Cut-off Date were the same as or substantially similar to the criteria described in this section (the "**Lending Criteria**"). The Seller retains the right to revise its Lending Criteria from time to time.

To obtain a mortgage loan, each prospective Borrower (an "**applicant**") completes an application form which includes information about the applicant's income, current employment details, bank account information, current mortgage information, if any, and certain other personal information. The application is then passed through the 'New Application Processing System' ("**NAPS**"), which attaches a credit grade and carries out the credit reference agency search. This gives details of public information including any county court judgments and details of any bankruptcy - the 'black' data on credit commitments that is shared by other lenders in accordance with the Lending Industry's Principles of Data Reciprocity. Some of the factors currently used in making a lending decision are set out below.

## **Valuation**

All properties have been valued on origination of each Loan in the Portfolio through undertaking either a standard or drive-by valuation by a valuer approved by the Seller or, where appropriate, according to a methodology which would meet the standards of a Reasonable, Prudent Mortgage Lender and which has been approved by the Seller. Automated valuation models (desk-top-valuations) are not utilised.

When granting a further advance, the Seller may in certain circumstances make a judgment based on the most recent standard, or drive by, valuation held on file that a further inspection is unnecessary, if other factors such as the recent date of the last valuation, a low loan to value existing advance, or local knowledge apply.

## **Property Types**

Properties may be either freehold, leasehold or (in Scotland) heritable or held under a long lease. In the case of leasehold properties including properties in Scotland held under a long lease, the unexpired portion of the lease must in most cases be at least 45 years at the maturity of the Loan. However, some flexibility is permitted for prime locations in central London. The property must be solely used for residential purposes (with extremely limited individual case exceptions) and must be in sound structural condition and repair or be capable of being put into such state. House boats, mobile homes and property on which buildings insurance cannot be arranged, are not acceptable. All persons who are to be owners or (in Scotland) heritable proprietors of the property on completion of the relevant Mortgage must be applicants.

## **Term of Loan**

The minimum term for a house purchase loan is 5 years. The normal maximum term is 25 years with 35 years available for pension-backed Loans.

Normally loans must be repaid by the age of 65 years, but subject to serviceability beyond normal retirement age, an age of more than 65 years may be considered for self employed applicants or where satisfactory pension or investment income can be evidenced.

As a responsible lender, the Seller endeavours to ensure the repayment of a Loan is affordable on a long-term basis. Any further advances will usually be scheduled to be repaid within the existing term of the house purchase loan.

## **Age of Applicant**

All applicants must be aged 18 or over. The maximum age limit is normally 65 years but this is subject to serviceability beyond normal retirement age as outlined in the paragraph above.

## **Status of Applicant**

The maximum amount of aggregate loan(s) under a mortgage account is determined by a number of factors, including the applicant's income and affordability. In determining income, the Seller includes basic salary as primary income, along with some allowances, mortgage subsidies, pensions, annuities and acceptable state benefits. Overtime, bonus and commissions will not be automatically included in income. In determining affordability, the Seller deducts the proposed mortgage payment (based on the loan type requested), existing personal loans, hire purchase agreements, child support payments and 5 per cent. of outstanding credit card balances from the applicant(s) net monthly income. The remaining net free income is then assessed in the context of the individual case.

All employed applicants need to have a satisfactory employment history. The Seller currently verifies the applicant's income in all cases. The Seller does not advance 'self-certified' mortgage loans.

In respect of Loans originated as 'Allied Irish Bank (GB)', where the customer base has been sought from existing mid-corporate and high net worth 'relationship' customers of the Seller's banking operations, the predominant affordability measurement for home Loans (as opposed to Buy to Let Loans) has been based upon income multiples, overlaid with Branch knowledge of the customer and the customer's business and personal accounts with their branch.

In respect of Loans originated as 'First Trust Bank', focus has been upon the structured affordability model outlined above, reflecting the more 'retail' nature of the customer base in Northern Ireland.

Self-employed applicants must normally have been trading within that particular business for a minimum period of two years for Loans originated by the Seller as 'Allied Irish Bank (GB)', and three years for Loans originated as 'First Trust Bank', and provide appropriate financial data to support this. On determining this information, the Seller will assess whether or not the income declared is appropriate.

When there are joint applicants, the Seller has the option of using the main applicant's income as the primary income multiple and adding the second applicant's income to the income multiplier or combining both incomes and multiplying these jointly by an agreed policy factor. The Seller may exercise discretion within its Lending Criteria in applying those factors which are used to determine the maximum amount of Loan(s). Accordingly, these parameters may vary for some Loans.

The following may be taken into consideration when exercising discretion: Branch knowledge of the Borrower and/or their business, credit grade, credit references, loan to value ratio, stability of employment, career or business prospects, affordability, additional income and security being offered.

### **Credit Search**

A credit reference agency search is carried out as an integral part of the decision making process in respect of all applications. Applications may be declined where an adverse credit history is revealed (e.g., bankruptcy or sequestration, county court judgments, Scottish court decree for payment of defaults).

### **Other Credit History**

#### **Bank Statements and Other Financial Data**

For employed applicants, proof of income is established using some or all of the following:

##### *For Net Income*

- personal bank statements
- 3 salary slips
- Latest form P60.

For self-employed applicants and directors of limited companies, the applicant is required to provide proof of income as follows:

- A minimum of 3 years financial statements signed or certified by the applicant's accountant and the Borrower; and
- Any or all of the proofs required for self employed applicants may also be required.

##### *For Other Income*

- For working tax credits or child tax credits, a letter from HMRC for the current tax year is required;
- For disability living allowance, child benefit, child support or other government benefits, sight of regular lodgements to the bank account is required;
- For maintenance payments, a copy of the separation agreement and sight of regular lodgements to the bank account is required;
- For rental income, written confirmation or evidence of the actual or proposed rental income is required;

- As previously described, in respect of Buy to Let Loans, the repayment guideline is a cover level of 125 per cent. rental cover in respect of the monthly instalment amount. Additionally, the financial strength of the applicants should be such that extended void periods can comfortably be borne, by personal income surpluses, and overall portfolio income/repayments and value/loans outstanding are assessed for borrowers with multiple investments, to ensure that the borrower is not over exposed.

### **Seller's Discretion to Lend Outside Lending Criteria**

On a case-by-case basis, and within the underwriter levels of authority referred to above, the Seller may have determined that, based upon compensating factors, an applicant that did not strictly qualify under its Lending Criteria at that time warranted an underwriting exception. Compensating factors may be considered including, but not limited to, a low loan to value ratio, stable employment and time in residence at the applicant's current residence and overall affordability position when looking at all the Borrower's outgoings including any proposed mortgage payment. Savings and overall disposable assets including business assets may also be taken into account

### **Maximum Loan to Value Ratio**

The normal maximum loan to value ratio of Loans to be sold by the Seller to the Issuer was 95 per cent. For some professionals such as doctors, dentists, solicitors and accountants and some otherwise high net worth applicants, a small number of Loans of up to 100 per cent. have been available. At the date of this Prospectus, the normal maximum loan to value ratio has been reduced to 75 per cent. for residential Loans. Buy to Let Loans have been withdrawn, to reflect current market conditions

### **Higher Lending Charge**

Borrowers are normally required to pay a Higher Lending Charge (or "**HLC**") to the Seller (which is ordinarily capitalised and added to the principal balance on the date of advance) for each Loan where the loan to value ratio of the relevant Loan at origination (excluding any capitalised HLC or booking fees and/or valuation fees) exceeds certain specified percentages. For Loans originated by the Seller as 'Allied Irish Bank (GB)', a HLC applies if the loan to value ratio exceeds 80 per cent., and the Borrower pays a HLC based on the difference between the actual loan to value ratio and an 80 per cent loan to value ratio. For Loans originated by the Seller as 'First Trust Bank', a HLC applies if the loan to value ratio exceeds 90 per cent., and the Borrower pays a HLC based on the difference between the actual loan to value ratio and a 75 per cent loan to value ratio.

### **Insurance Policies**

The following is a summary of the insurance policies taken out in relation to the mortgage loans originated by the Seller in the Portfolio. The Seller is not named as a loss payee or beneficiary on any of the policies described below (apart from the Loan Insurance Policy) and the benefit of these policies will not accrue to the Issuer.

#### ***First Trust Bank Loans***

### **Buildings Insurance Policies**

As a condition of the mortgage loan, the Borrower is required to take out insurance (whether with the Seller or with an alternative vendor) in respect of the relevant Mortgaged Property to cover damage caused by fire, storm, etc ("**Buildings Insurance Policies**"). The Seller also strongly suggests that Borrowers insure their contents and personal belongings against risks such as fire, damage, or theft.

### **Policies of Life Assurance**

To cover the death of a Borrower during the term of the Loan, the Seller strongly recommends that Borrowers take out life cover for repayment, PEP/ISA and pension backed Loans. The Seller can arrange such policies for Borrowers through independent financial advisers, but this cover is not however a condition to the advance of a mortgage loan.

### **Mortgage Payment Protection**

Mortgage payment protection insurance ("**MPPI**") is designed to pay the mortgage loan should the Borrower become involuntarily unemployed, fall ill or have an accident. This product was available from the Seller to its Borrowers, but the advance of a mortgage loan was not conditional upon MPPI being taken out either with the Seller or another provider.

#### ***For Allied Irish Bank (GB) Loans***

### **Buildings Insurance Policies**

As a condition of the Mortgage Loan it is required that the Borrower's solicitor provide confirmation that a Buildings Insurance Policy is in place, to cover damage to the building caused by fire, storm, etc., before funds are released. The Seller does not however offer its own product through the Allied Irish Bank (GB) branch network.

### **Policies of Life Assurance**

As described above in relation to First Trust Bank Loans.

### **Mortgage Payment Protection**

The Seller does not offer a mortgage payment protection product to Borrowers through the Allied Irish Bank (GB) branch network, and as in the case of First Trust Bank Loans the advance of a Loan is not conditional upon MPPI being taken out with another provider.

#### ***For Allied Irish Bank (GB) and First Trust Bank Loans***

### **Buildings Indemnity Cover**

Insurance cover is in place with American International Group, Inc. for loss or damage to any Property where a Loan has been advanced and where the Buildings Insurance Policy on that Property is not in force (the "**Loan Insurance Policy**"). This is subject to the policy definitions and special provisions and to a maximum of £1,000,000 for any one claim and a maximum of £2,500,000 during any one period of insurance. The benefit of the Loan Insurance Policy will not be assigned by the Seller to the Issuer under the Mortgage Sale Agreement and so will not comprise part of the Portfolio.

### **Selection of the Portfolio**

The Seller selected mortgage loans from its Loan Accounting system that were provisionally identified to comprise the provisional portfolio for sale to the Issuer (the "**Provisional Portfolio**"). The Seller then set exclusion criteria corresponding to informational requirements and relevant representations and warranties that the Seller will make in the Mortgage Sale Agreement in relation to the Loans comprising the Portfolio. The Seller then deselected mortgage loans from the Provisional Portfolio to the extent that such mortgage loans were excluded by these criteria. The remaining mortgage loans following the completion of this de-selection process are collectively known as the "**Actual Provisional Portfolio**".

The Actual Provisional Portfolio (as selected at the Cut-Off Date) less any Loans repaid prior to the Issue Date (the "**Initial Portfolio**") will be transferred to the Issuer on the Issue Date. All sums of principal, interest or any other amounts received by the Seller in respect of the Loans comprising the Portfolio which were credited to the Seller Collection Accounts during the period from (but excluding) the Cut-off Date to (and including) the Issue Date will be transferred to the Transaction Account of the Issuer on the Business Day immediately following the Issue Date. Further detail on the characteristics of the Actual Provisional Portfolio as at the Cut-off Date can be found as described in the section of this Prospectus entitled '*Characteristics of the Portfolio*'.

## **Arrears and Default Procedures**

### *Arrears and Default Procedures*

Retail Insolvency & Debt Recovery Unit (IDRU), manage all mortgage arrears up to and including referral for legal action. 'First Trust Bank' branded mortgages are managed by IDRU in First Trust Bank, Belfast and 'Allied Irish Bank (GB)' branded mortgages are managed by IDRU in Allied Irish Bank (GB), Uxbridge, Middlesex.

### *Arrears*

When a Loan falls into arrears, IDRU will issue the Financial Service Authority's information sheet on mortgage arrears. This will be sent to the Borrower within 15 business days of the arrears being identified. IDRU will also provide the Borrower with the following information:

- (i) list of the due payments that have been missed or only paid in part;
- (ii) the total amount of the payment shortfall;
- (iii) details of charges incurred as a result of the payment shortfall;
- (iv) the total amount of the outstanding debt; and
- (v) details of charges payable unless the payment shortfall is cleared.

Once this information has been sent to the Borrower, IDRU will liaise with the Borrower to identify the reason for the arrears. IDRU will endeavour to establish a repayment plan with the Borrower or with any other third party nominated by the Borrower, e.g. the Borrower's solicitor.

The Seller will endeavour to reach an accommodation with the Borrower and will adopt a reasonable approach with regard to the length of time by which the payment shortfall will be repaid. A distinction will be made between Borrowers unable to pay and Borrowers unwilling to pay.

In negotiating with the Borrower, the Seller will give due consideration to any request that is made by the Borrower with regard to the repayment of any outstanding payments due. This will include considering changes in the payment date or method by which the payment is to be made. If the Seller is not in a position to agree to the Borrower's request, it will provide an explanation to the Borrower explaining why it has not been able to agree to the proposal.

If the arrears are not cleared, or continue to increase, or if an agreement has not been reached with the Borrower, the Seller will provide the Borrower with written notice that it may proceed with further action to recover the outstanding amounts due.

If it is decided that the only way to resolve the arrears position is for the Borrower to sell the relevant Property, every effort will be made to facilitate the Borrower in disposing of the property voluntarily and permitting the Borrower to remain in possession to effect the sale.

### *Repossession*

The Seller will only refer the matter to solicitors for legal action if all other attempts to resolve the arrears have failed. The Seller will inform the Borrower that it intends to pursue the recovery of the outstanding debt through legal action. The solicitor appointed will be instructed to proceed with action to effect full recovery of the mortgage amount.

If the Seller sells a property, any surplus funds will be returned to the Borrower or his/her legal representative.



*Mortgage shortfall debt*

In the event of the sale proceeds being less than the mortgage debt outstanding, the Seller will continue to pursue the shortfall. The Seller will advise the Borrower, in writing, that it intends to recover any shortfall.

## CHARACTERISTICS OF THE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Actual Provisional Portfolio of £438,537,972 as at 30<sup>th</sup> March 2012 (the "**Cut-off Date**"). The Actual Provisional Portfolio has been determined on or prior to the date hereof by the Seller in accordance with the procedures as described in the section of this Prospectus entitled '*The Loans — Selection of the Portfolio*'.

The information contained in this section will not be updated to reflect any decrease in the size of the Portfolio from that of the Actual Provisional Portfolio.

Except as otherwise indicated, these tables have been prepared using the Outstanding Principal Balance as at the Cut-off Date. Columns may not add up to the total due to rounding.

### Key Characteristics of the Actual Provisional Portfolio

As of the Cut-off Date, the Actual Provisional Portfolio had the following key characteristics:

Aggregate Loan balance (£)	438,537,972
Number of Loans	3,664
Largest Loan (Outstanding Principal Balance on the Cut-off Date) (£)	1,277,294
Average Loan balance (Outstanding Principal Balance on the Cut-off Date) (£)	119,688
Weighted average current LTV	60.56%
Weighted average interest rate	2.41%
Weighted average seasoning (months)	66.37

Approximately 20.10 per cent. of the Loans comprising the Actual Provisional Portfolio are Loans secured on Properties in Northern Ireland, and the remainder are Loans secured on Properties in Great Britain.

## 1. Originator

The following table shows the aggregate Outstanding Principal Balances of the Loans in the Actual Provisional Portfolio originated by the Seller under its different trading names.

<b>ORIGINATOR</b>	<b>Balance (£)</b>	<b>% Of Balance</b>	<b>Number of Loans</b>	<b>Number of Loans, %</b>
AIB GB	305,441,941	69.65	2,030	55.4
First Trust Bank	133,096,030	30.35	1,634	44.6
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>3,664</b>	<b>100</b>

## 2. Original Loan Balance

The following table shows the range of original principal balances of Loans in the Actual Provisional Portfolio as at the Cut-off Date (including any further advances made prior to the Cut-off Date).

<b>Range of Original principal balances</b>	<b>Aggregate Outstanding Principal Balances (£)</b>	<b>% Of Balance</b>	<b>Number of Loans</b>	<b>Number of Loans, %</b>
<= 50,000.00	14,617,709	3.33	666	18.18
50,000.01 - 100,000.00	55,686,745	12.7	1,038	28.33
100,000.01 - 150,000.00	74,897,917	17.08	771	21.04
150,000.01 - 200,000.00	57,436,145	13.1	419	11.44
200,000.01 - 250,000.00	39,811,706	9.08	224	6.11
250,000.01 - 300,000.00	33,546,959	7.65	158	4.31
300,000.01 - 350,000.00	22,837,853	5.21	91	2.48
350,000.01 - 400,000.00	18,109,220	4.13	64	1.75
400,000.01 - 450,000.00	17,496,406	3.99	50	1.36
450,000.01 - 500,000.00	13,934,195	3.18	39	1.06
500,000.01 - 550,000.00	8,938,775	2.04	21	0.57
550,000.01 - 600,000.00	11,741,445	2.68	24	0.66
600,000.01 - 650,000.00	7,950,257	1.81	16	0.44
650,000.01 - 700,000.00	7,287,758	1.66	13	0.35
700,000.01 - 750,000.00	4,828,728	1.1	8	0.22
750,000.01 - 800,000.00	6,987,691	1.59	11	0.3
800,000.01 - 850,000.00	3,445,736	0.79	6	0.16
850,000.01 - 900,000.00	5,297,388	1.21	7	0.19
900,000.01 - 950,000.00	3,788,086	0.86	7	0.19
950,000.01 - 1,000,000.00	5,471,299	1.25	6	0.16
1,000,000.01 - 1,050,000.00	2,317,194	0.53	3	0.08
1,050,000.01 - 1,100,000.00	4,040,076	0.92	5	0.14
1,100,000.01 - 1,150,000.00	729,819	0.17	1	0.03
1,150,000.01 - 1,200,000.00	7,897,868	1.8	7	0.19
1,200,000.01 - 1,250,000.00	3,909,205	0.89	4	0.11
1,300,000.01 - 1,350,000.00	1,277,294	0.29	1	0.03
1,400,000.01 - 1,450,000.00	2,474,844	0.56	2	0.05
1,500,000.01 >=	1,779,654	0.41	2	0.05
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>3,664</b>	<b>100</b>

The average original balance of the Loans in the Actual Provisional Portfolio as at the Cut-off Date was:

Average original balance:

£155,662

### 3. Outstanding Principal Balances as at the Cut-off Date

The following table shows the range of Outstanding Principal Balances of Loans in the Actual Provisional Portfolio as at the Cut-off Date.

Range of Outstanding Principal Balances (£)	Aggregate Outstanding Principal Balances (£)	% of Balance	Number of Loans	Number of Loans, %
<= 50,000.00	32,020,092	7.3	1,199	32.72
50,000.01 - 100,000.00	74,202,113	16.92	1,010	27.57
100,000.01 - 150,000.00	76,038,455	17.34	620	16.92
150,000.01 - 200,000.00	50,337,497	11.48	293	8
200,000.01 - 250,000.00	35,150,392	8.02	159	4.34
250,000.01 - 300,000.00	28,749,267	6.56	106	2.89
300,000.01 - 350,000.00	23,109,450	5.27	72	1.97
350,000.01 - 400,000.00	15,270,295	3.48	40	1.09
400,000.01 - 450,000.00	17,062,291	3.89	40	1.09
450,000.01 - 500,000.00	10,481,484	2.39	22	0.6
500,000.01 - 550,000.00	8,851,337	2.02	17	0.46
550,000.01 - 600,000.00	13,805,449	3.15	24	0.66
600,000.01 - 650,000.00	6,199,632	1.41	10	0.27
650,000.01 - 700,000.00	5,438,688	1.24	8	0.22
700,000.01 - 750,000.00	5,862,648	1.34	8	0.22
750,000.01 - 800,000.00	1,560,347	0.36	2	0.05
800,000.01 - 850,000.00	4,905,865	1.12	6	0.16
850,000.01 - 900,000.00	3,559,634	0.81	4	0.11
900,000.01 - 950,000.00	3,719,597	0.85	4	0.11
950,000.01 - 1,000,000.00	3,989,366	0.91	4	0.11
1,000,000.01 - 1,050,000.00	4,031,190	0.92	4	0.11
1,050,000.01 - 1,100,000.00	2,156,576	0.49	2	0.05
1,150,000.01 - 1,200,000.00	7,073,316	1.61	6	0.16
1,200,000.01 - 1,250,000.00	3,685,696	0.84	3	0.08
1,250,000.01 - 1,300,000.00	1,277,294	0.29	1	0.03
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>3,664</b>	<b>100</b>

The average Outstanding Principal Balance of the Loans in the Actual Provisional Portfolio as at the Cut-off Date was:

Average Current Balance

£119,688

#### 4. Original Loan-to-Value Ratios

The following table shows the range of LTV ratios, which expresses the outstanding balance of the aggregate Loans in a Borrower's mortgage account as at the date of origination, divided by the value of the Property securing the Loans as at that date.

<b>LTV</b>	<b>Aggregate Outstanding Principal Balances (£)</b>	<b>% Of Balance</b>	<b>Number of Loans</b>	<b>Number of Loans, %</b>
0.001 - 10.000	2,844,044	0.65	90	2.46
10.001 - 20.000	10,720,212	2.44	243	6.63
20.001 - 30.000	26,124,701	5.96	365	9.96
30.001 - 40.000	35,601,379	8.12	428	11.68
40.001 - 50.000	47,627,821	10.86	466	12.72
50.001 - 60.000	38,251,816	8.72	307	8.38
60.001 - 70.000	42,074,249	9.59	280	7.64
70.001 - 80.000	88,743,143	20.24	492	13.43
80.001 - 90.000	72,595,826	16.55	423	11.54
90.001 - 100.000	65,381,492	14.91	443	12.09
100.001 >=	8,573,288	1.95	127	3.47
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>3,664</b>	<b>100</b>

The weighted average original LTV ratio in respect of Loans in the Actual Provisional Portfolio was:

Weighted average original LTV 66.97%

**5. Current Loan-to-Value Ratios as at the Cut-off Date**

The following table shows the range of LTV ratios, which express the Outstanding Principal Balance of the aggregate of Loans in a Borrower's mortgage account as at the Cut-off Date divided by the valuation as at origination of the Loan or the most recent valuation thereof.

<b>Range of LTV's (%) at Cut-off Date</b>	<b>Aggregate Outstanding Principal Balances (£)</b>	<b>% of Balance</b>	<b>Number of Loans</b>	<b>Number of Loans, %</b>
<= 0.000	14	0	1	0.03
0.001 - 10.000	7,200,478	1.64	414	11.3
10.001 - 20.000	22,627,827	5.16	464	12.66
20.001 - 30.000	36,915,661	8.42	471	12.85
30.001 - 40.000	48,412,890	11.04	489	13.35
40.001 - 50.000	54,728,089	12.48	426	11.63
50.001 - 60.000	56,471,039	12.88	357	9.74
60.001 - 70.000	56,303,703	12.84	328	8.95
70.001 - 80.000	52,808,830	12.04	271	7.4
80.001 - 90.000	44,870,223	10.23	203	5.54
90.001 - 100.000	27,963,742	6.38	124	3.38
100.001 - 110.000	12,323,669	2.81	63	1.72
110.001 - 120.000	8,155,630	1.86	25	0.68
120.001 - 130.000	1,123,833	0.26	7	0.19
130.001 - 140.000	972,368	0.22	3	0.08
140.001 - 150.000	2,226,951	0.51	6	0.16
150.001 >=	5,433,024	1.24	12	0.33
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>3,664</b>	<b>100</b>

The weighted average LTV ratio as at the Cut-off Date in the Actual Provisional Portfolio was:

Weighted average current LTV 60.56%

## 6. Indexed Current Loan-to-Value Ratios as at the Cut-off Date

The following table shows the range of current indexed range of LTV values, which express the Outstanding Principal Balance of each Loan in the Actual Provisional Portfolio as at the Cut-off Date, divided by the indexed value of the Property securing that Loan using the most recent valuation of the Property.

Indexed LTV at Cut-off Date	Balance (£)	% Of Balance	Number of Loans	Number of Loans, %
<=0.000	14	0	1	0.03
0.001 - 10.000	7,043,665	1.61	410	11.19
10.001 - 20.000	21,187,264	4.83	455	12.42
20.001 - 30.000	36,602,105	8.35	463	12.64
30.001 - 40.000	46,891,734	10.69	485	13.24
40.001 - 50.000	55,073,572	12.56	431	11.76
50.001 - 60.000	57,121,593	13.03	360	9.83
60.001 - 70.000	55,999,777	12.77	321	8.76
70.001 - 80.000	49,192,973	11.22	272	7.42
80.001 - 90.000	44,675,429	10.19	204	5.57
90.001 - 100.000	32,735,095	7.46	136	3.71
100.001 - 110.000	13,155,148	3	67	1.83
110.001 - 120.000	7,113,168	1.62	27	0.74
120.001 - 130.000	3,114,090	0.71	11	0.3
130.001 - 140.000	972,368	0.22	3	0.08
140.001 - 150.000	2,226,951	0.51	6	0.16
>= 150.001	5,433,024	1.24	12	0.33
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>3,664</b>	<b>100</b>

Weighted average indexed current LTV 61.32%

## 7. Delinquent Loans

The following table shows the Loans in the Actual Provisional Portfolio which are in arrears as at the Cut-off Date.

Delinquent Loans	Aggregate Outstanding Principal Balances (£)	% of Balance	Number of Loans	Number of Loans, %
0	438,537,972	100	3,664	100
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>3,664</b>	<b>100</b>

## 8. Geographical Distribution of Mortgaged Properties

The following table shows the distribution of Properties securing the Loans in the Actual Provisional Portfolio throughout England, Wales, Scotland and Northern Ireland as at the Cut-off Date.

Region	Aggregate Outstanding Principal Balances (£)	% of Balance	Number of Loans	Number of Loans, %
EAST ANGLIA	2,609,396	0.6	20	0.55
EAST MIDS	11,932,022	2.72	101	2.76
LONDON	136,392,041	31.1	799	21.81
N IRELAND	88,141,208	20.1	1,356	37.01
NORTH	11,239,203	2.56	81	2.21
NORTH WEST	39,548,294	9.02	263	7.18
OUTER MET	46,119,107	10.52	269	7.34
OUTER S EAST	15,170,309	3.46	96	2.62
SCOTLAND	37,129,972	8.47	289	7.89
SOUTH WEST	11,695,761	2.67	80	2.18
WALES	10,156,840	2.32	48	1.31
WEST MIDS	19,319,056	4.41	187	5.1
YORKS & HSIDE	9,084,762	2.07	75	2.05
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>3,664</b>	<b>100</b>

## 9. Repayment Type

The following table shows the repayment terms for the Loans in the Actual Provisional Portfolio as at the Cut-off Date.

Mortgage Loan Product	Aggregate Outstanding Principal Balances (£)	% of Balance	Number of Loan Parts (with the original mortgage loan and any further advances comprising separate "Loan Parts")	Number of Loan Parts, %
Repayment	298,008,560	67.96	3,691	82.02
Interest Only	110,110,162	25.11	597	13.27
Combination	30,419,250	6.94	212	4.71
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>4,500</b>	<b>100</b>



10. **Current Rate Type**

The following table shows the distribution of the type of mortgage loan product as at the Cut-off Date.

<b>Mortgage Loan Product</b>	<b>Aggregate Outstanding Principal Balances (£)</b>	<b>% of Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts, %</b>
Discount	15,967,349	3.64	172	3.82
Discount For Life	331,305	0.08	6	0.13
Fixed	3,148,022	0.72	25	0.56
Variable	419,091,296	95.57	4,297	95.49
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>4,500</b>	<b>100</b>

11. **Seasoning of Loans**

The following table shows the number of months since the date of origination of each Loan Part in respect of a Loan in the Actual Provisional Portfolio as at the Cut-off Date.

<b>Seasoning</b>	<b>Balance, £</b>	<b>% Of Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts, %</b>
0.00 - 11.99	3,047,685	0.69	37	0.82
12.00 - 23.99	11,275,558	2.57	79	1.76
24.00 - 35.99	32,741,926	7.47	241	5.36
36.00 - 47.99	56,734,639	12.94	449	9.98
48.00 - 59.99	105,415,727	24.04	909	20.2
60.00 - 71.99	85,032,574	19.39	878	19.51
72.00 - 83.99	56,631,483	12.91	645	14.33
84.00 - 95.99	31,094,934	7.09	351	7.8
96.00 - 107.99	22,844,663	5.21	237	5.27
108.00 - 119.99	11,128,338	2.54	152	3.38
120.00 >=	22,590,444	5.15	522	11.6
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>4,500</b>	<b>100</b>

The forecast weighted average seasoning of Loans in the Actual Provision Portfolio as at the Cut-off Date was:

Weighted average seasoning

66.37 Months

## 12. Months to Maturity of Loans

The following table shows the number of remaining months on the term of each Loan Part in a Borrower's mortgage account in the Actual Provisional Portfolio as at the Cut-off Date.

<b>Months To Maturity</b>	<b>Balance, £</b>	<b>% Of Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts, %</b>
<= 36.00	36,155,798	8.24	364	8.09
36.01 - 72.00	15,891,343	3.62	374	8.31
72.01 - 108.00	24,676,001	5.63	434	9.64
108.01 - 144.00	43,747,678	9.98	552	12.27
144.01 - 180.00	72,660,409	16.57	762	16.93
180.01 - 216.00	83,034,871	18.93	733	16.29
216.01 - 252.00	107,920,229	24.61	893	19.84
252.01 - 288.00	35,821,578	8.17	235	5.22
288.01 - 324.00	16,734,725	3.82	140	3.11
324.01 - 360.00	1,895,339	0.43	13	0.29
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>4,500</b>	<b>100</b>

Weighted Average Months to Maturity

178.12 Months

## 13. Purpose of Loan

The following table shows whether the purpose of each Loan Part in a Borrower's mortgage account in the Actual Provisional Portfolio was to finance the purchase of a property or to remortgage a property already owned by the Borrower.

<b>Purpose Of Loan</b>	<b>Aggregate Outstanding Principal Balances (£)</b>	<b>% of Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts, %</b>
Purchase	322,388,834	73.51	2,956	65.69
Remortgage	116,149,138	26.48	1,544	34.31
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>4,500</b>	<b>100</b>

#### 14. Current Interest Rate

The following table shows the distribution of the Loans in the Actual Provisional Portfolio as at the Cut-off Date by the current interest rate applicable to the Loans as at the Cut-off Date.

Current Interest Rate	Balance, £	% Of Balance	Number of Loan Parts	Number of Loan Parts, %
0.01 - 1.00	32,643,401	7.44	282	6.27
1.01 - 2.00	247,046,561	56.33	2,323	51.62
2.01 - 3.00	9,459,876	2.16	85	1.89
3.01 - 4.00	20,202,520	4.61	114	2.53
4.01 - 5.00	122,589,387	27.95	1,612	35.82
5.01 - 6.00	6,596,227	1.5	84	1.87
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>4,500</b>	<b>100</b>

Weighted average interest rate 2.41%

#### 15. Index Type

The following table shows the distribution of index types of the Loans in the Actual Provisional Portfolio as at the Cut-off Date.

Index Type	Balance (£)	% Of Balance	Number of Loan Parts	Number of Loan Parts, %
Bank of England Base Rate	320,644,036	73.12	2,878	63.96
Seller Standard Variable Rate	117,893,936	26.88	1,622	36.04
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>4,500</b>	<b>100</b>

#### 16. Occupancy Type

The following table shows the occupancy type of the Loans in the Actual Provisional Portfolio as at the Cut-off Date.

Occupancy Type	Balance (£)	% Of Balance	Number of Loan Parts	Number of Loan Parts, %
Holiday/second home	807,750	0.18	5	0.11
Non owner occupied	92,759,699	21.15	810	18
Owner occupied	344,970,522	78.66	3,685	81.89
<b>Total:</b>	<b>438,537,972</b>	<b>100</b>	<b>4,500</b>	<b>100</b>

### 17. Interest Rate of Fixed Rate Loans

The following table shows the current interest rates of the Fixed Rate Loans in the Actual Provisional Portfolio as at the Cut-off Date.

Interest rate of Fixed Rate Loans	Balance (£)	% Of Balance	Number of Loan Parts	Number of Loan Parts, %
3.01 - 4.00	541,903	17.21	6	24
4.01 - 5.00	2,606,119	82.79	19	76
<b>Total:</b>	<b>3,148,022</b>	<b>100</b>	<b>25</b>	<b>100</b>

### 18. Distribution of Fixed Rate Loans

As at the Cut-off Date, approximately 0.72 per cent. of the Loans in the Actual Provisional Portfolio were Fixed Rate Loans. The following table shows the distribution of Fixed Rate Loans by the year in which the Loans, in accordance with their terms, cease to bear their current fixed rate of interest.

Distribution of Loans by Fixed Expiry Year	Aggregate Outstanding Principal Balances (£)	% of Balance	Number of Loan Parts	Number of Loan Parts, %
2012	2,397,129	76.15	19	76
2013	305,077	9.69	2	8
2014	445,816	14.16	4	16
<b>Total:</b>	<b>3,148,022</b>	<b>100</b>	<b>25</b>	<b>100</b>

### 19. Interest Rate of Variable Rate Loans, Discounted Rate Loans and Tracker Rate Loans

The following table shows the current interest rates of the Variable Rate Loans, Discounted Rate Loans and Tracker Rate Loans in the Actual Provisional Portfolio as at the Cut-off Date.

Interest Rate (Variable Rate Loans)	Balance (£)	% Of Balance	Number of Loan Parts	Number of Loan Parts, %
0.01 - 1.00	32,643,401	7.5	282	6.3
1.01 - 2.00	247,046,561	56.74	2,323	51.91
2.01 - 3.00	9,459,876	2.17	85	1.9
3.01 - 4.00	19,660,617	4.52	108	2.41
4.01 - 5.00	119,983,268	27.56	1,593	35.6
5.01 - 6.00	6,596,227	1.52	84	1.88
<b>Total:</b>	<b>435,389,950</b>	<b>100</b>	<b>4,475</b>	<b>100</b>

20. **Distribution of Variable Rate Loans, Discounted Rate Loans and Tracker Rate Loans**

As at the Cut-off Date, approximately 99.28 per cent. of the Loans in the Actual Provisional Portfolio were Variable Rate Loans, Discounted Rate Loans and Tracker Rate Loans. The following table shows the distribution of Variable Rate Loans, Discounted Rate Loans and Tracker Rate Loans by the year in which the Loans, in accordance with their terms, revert to a floating rate of interest, where applicable.

<b>Distribution of Loans by Fixed Expiry Year</b>	<b>Aggregate Outstanding Principal Balances (£)</b>	<b>% of Balance</b>	<b>Number of Loan Parts</b>	<b>Number of Loan Parts, %</b>
DO NOT REVERT	419,422,601	96.33	4,303	96.16
2012	1,352,902	0.31	7	0.16
2013	3,849	0	1	0.02
2014	12,508	0	2	0.04
2015	85,856	0.02	3	0.07
2016	147,355	0.03	3	0.07
2017	241,306	0.06	3	0.07
2018	398,763	0.09	5	0.11
2019	200,320	0.05	4	0.09
2020	353,630	0.08	7	0.16
2021	504,671	0.12	5	0.11
2022	591,024	0.14	9	0.2
2023	845,618	0.19	10	0.22
2024	2,099,600	0.48	21	0.47
2025	2,186,964	0.5	21	0.47
2026	2,480,536	0.57	23	0.51
2027	2,372,388	0.54	22	0.49
2028	414,101	0.1	4	0.09
2029	583,886	0.13	6	0.13
2030	530,679	0.12	7	0.16
2031	448,079	0.1	7	0.16
2032	113,315	0.03	2	0.04
<b>Total:</b>	<b>435,389,950</b>	<b>100</b>	<b>4,475</b>	<b>100</b>

### WEIGHTED AVERAGE LIVES OF THE NOTES

The average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Class A Notes can be made based on certain assumptions. The assumptions used to calculate the possible average lives of the Class A Notes in the following tables include that:

- (a) the Issuer exercises its option to redeem the Notes on the Step-up Date, in the first scenario, or the Issuer does not exercise its option to redeem the Notes on or after the Step-up Date, in the second scenario;
- (b) the Issuer does not exercise its right to redeem the Notes in accordance with Condition 5.3(a)(iii)(2) on any Interest Payment Date on which the aggregate Principal Amount Outstanding of the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Issue Date;
- (c) the Loans are assumed to amortise in accordance with a constant per annum rate of prepayment (inclusive of unscheduled prepayments but not scheduled repayments) ("**CPR**") of between 0 and 20 per cent. per annum as indicated in the tables below. CPR does not purport to be either a historical description of the prepayment experience of any pool of loans or a prediction of the expected rate of prepayment of any Loans to be included in the Portfolio;
- (d) the Loans continue to be fully performing;
- (e) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (f) no prepayment penalties are applied;
- (g) the Seller is not in breach of any terms of the Mortgage Sale Agreement;
- (h) no Loan is repurchased by the Seller;
- (i) no Substitute Loans are purchased;
- (j) no Further Advances are made in respect of the Portfolio;
- (k) the Seller Standard Variable Rate (comprising the Allied Irish Bank (GB) Standard Variable Rate' (which is the Seller Standard Variable Rate for Loans originated by the Seller acting as 'Allied Irish Bank (GB)') and the 'First Trust Standard Variable Rate' (which is the Seller Standard Variable Rate for Loans originated by the Seller acting as 'First Trust Bank')) is equal to 4.24 per cent per annum;
- (l) the Bank of England Base Rate is equal to 0.5 per cent.;
- (m) Three-Month Sterling LIBOR is equal to 1 per cent per annum for the purposes of each Interest Period from (and including) 21<sup>st</sup> September 2012;
- (n) no Security has been enforced;
- (o) no Loan is sold by the Issuer;
- (p) the interest rate paid by the GIC Provider in respect of monies standing to the credit of the GIC Account is Three-Month Sterling LIBOR minus 65 basis points;
- (q) the Cut-off Date is 30<sup>th</sup> March 2012 and the Issue Date is 16<sup>th</sup> May 2012; and
- (r) the Rate of Interest payable in respect of the Class A Notes for the Interest Period from (and including) the Issue Date to (but excluding) 21<sup>st</sup> September 2012 is 2.64 per cent. per annum.

**Assuming the Issuer does not exercise its right to redeem the Notes on the Step-up Date in accordance with Condition 5.3(a)(iii)(1)**

	CPR	Base Case	0%	5%	12%	15%	20%
<b>Class A</b>	<b>WAL</b>	2.74	6.00	3.81	2.44	2.09	1.68
	<b>Payment</b>	Sept 12	Sept 12	Sept 12	Sept 12	Sept 12	Sept 12
	<b>Window</b>	– Mar 19	– Mar 25	– Jun 21	– Jun 18	– Sep 17	– Jun 16

For the purposes of the table above, "Base Case" means a CPR of 10 per cent.

**Assuming the Issuer exercises its right to redeem the Notes on the Step-up Date in accordance with Condition 5.3(a)(iii)(1)**

	CPR	Base Case	0%	5%	12%	15%	20%
<b>Class A</b>	<b>WAL</b>	2.60	3.83	3.18	2.39	2.09	1.68
	<b>Payment</b>	Sept 12	Sept 12	Sept 12	Sept 12	Sept 12	Sept 12
	<b>Window</b>	– Jun 17	– Jun 17	– Jun 17	– Jun 17	– Jun 17	– Jun 16

For the purposes of the table above, "Base Case" means a CPR of 10 per cent.

Assumptions (a) to (o) above relate to circumstances which are not predictable. No assurance can be given that the Issuer will be in a position to redeem the Notes on the Step-up Date. If the Issuer does not exercise its option in accordance with Condition 5.3(a)(iii)(1) then the average lives of the then outstanding Notes would be extended.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see the section entitled "*Risk Factors - Considerations Relating to Yield, Prepayments, Mandatory Redemptions and Optional Redemptions*".

## UNITED KINGDOM TAXATION

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and HM Revenue & Customs ("HMRC") practice in the United Kingdom relating to certain aspects of United Kingdom taxation. 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. Each prospective purchaser is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Notes under the laws of the United Kingdom its political subdivisions and any other jurisdiction in which the prospective purchaser may be subject to tax.*

### Interest on the Notes

#### Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "Act"). The Irish Stock Exchange is a recognised stock exchange for such purposes. Securities will be treated as listed on the Irish Stock Exchange if they are listed and admitted to trading by the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax (the "**Quoted Eurobond Exemption**").

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the person beneficially entitled to the interest is (i) a company resident in the United Kingdom; (ii) a company not resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account the interest in computing its United Kingdom taxable profits; or (iii) a partnership each member of which is a company referred to in (i) or (ii) above or a combination of companies referred to in (i) or (ii) above, as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid after deduction of tax.

Apart from those instances outlined above and any other exceptions in sections 933 to 937 of the Act, in other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate. 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 Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest on behalf of another person who is an individual. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

### EU Savings Directive

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



The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

#### **Further United Kingdom Income Tax Issues**

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may 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 income tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency and the interest arises (directly or indirectly) through or from that branch or agency.

#### **United Kingdom Corporation Tax Payers**

In general, Noteholders 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 Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

#### **Other United Kingdom Tax Payers**

##### **Accrued Income Scheme**

On a disposal of Notes by a Noteholder, 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 Act if that Noteholder is resident or ordinarily resident in the United Kingdom for tax purposes or carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable.

##### **Stamp Duty and Stamp Duty Reserve Tax (SDRT)**

No United Kingdom stamp duty or SDRT is payable on the issue or transfer of the Notes.

## SUBSCRIPTION AND SALE

Merrill Lynch International and HSBC Bank plc (the "**Joint Lead Managers**") and AIB have, pursuant to a subscription agreement dated on or about 11<sup>th</sup> May 2012 between the Seller, the Joint Lead Managers and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay for, in the case of the Joint Lead Managers, 100 per cent. of the Class A Notes at the issue price of 97.16 per cent. of the aggregate principal amount of the Class A Notes, and in the case of AIB, 100 per cent. of the Class B Notes at the issue price of 107.375852 per cent. of the aggregate principal amount of the Class B Notes. AIB's obligation to pay the Issuer the issue price for the Class B Notes shall be set off (to the full extent of such issue price) against the obligation of the Issuer to pay AIB (as Seller) the Initial Consideration under the Mortgage Sale Agreement.

The Joint Lead Managers may or may not sell any or all of the Class A Notes to subsequent purchasers in individually negotiated transactions at negotiated prices which may or may not vary among different purchasers and which may be greater or less than the issue price of the Class A Notes. Accordingly, one or more of the Joint Lead Managers or a purchaser from the Joint Lead Managers may or may not acquire (and initially retain) a significant portion of the Class A Notes on the Issue Date.

The Issuer has agreed to indemnify AIB and the Joint Lead Managers against certain liabilities and to pay certain costs and expenses (but not any commission in respect of the Joint Lead Managers' subscription for the Class A Notes, which will be borne by AIB, to the extent payable) in connection with the issue of the Notes.

Other than admission of the Notes to the Official List and the admission of the Notes to trading on the Irish Stock Exchange's Regulated Market, no action has been taken by the Issuer, AIB or the Joint Lead Managers, which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

Pursuant to the Subscription Agreement, AIB has covenanted that it will, *inter alia*, retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Article 122a of Directive 2006/48/EC (as amended) (which does not take into account any implementing rules of the CRD in a relevant jurisdiction). As at the Issue Date, such retention requirement will be satisfied by AIB holding the first loss tranche as required by Article 122a (comprising the Class B Notes and its interest in the Deferred Consideration). Any change to the manner in which such material net economic interest is held will be notified to the Note Trustee and the Noteholders.

### **United States**

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

Each of the Joint Lead Managers and AIB has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the late of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. See "*Transfer Restrictions and Investor Representations*", below.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each of the Joint Lead Managers and the Seller (in its capacity as initial subscriber for the Class B Notes) has represented, warranted and agreed with the Issuer, inter alia, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Ireland**

Each of the Joint Lead Managers and the Seller (in its capacity as initial subscriber for the Class B Notes) has represented, warranted and agreed with the Issuer, inter alia, that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity than with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos 1 to 3), including, without limitation, Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 – 2010 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Joint Lead Managers and the Seller (in its capacity as initial subscriber for the Class B Notes) has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State other than the offers contemplated in this Prospectus from the time this Prospectus has been approved by the relevant competent authority and published and notified to the relevant competent authority in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than

qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Lead Managers; or

- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes will require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an 'offer of notes to the public' in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

## GENERAL INFORMATION

1. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. It is expected that admission to listing and trading will be granted on or about 16 May 2012, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued.

Although no assurance is made as to the liquidity of the Notes as a result of the listing on the Irish Stock Exchange, de-listing the Notes from the Irish Stock Exchange may have a material effect on the ability to resell the Notes in the secondary market.

Arthur Cox Listing Services Limited is acting solely in its capacity as Listing Agent for the Issuer in connection with the listing of the Notes and is not itself seeking admission of the Notes to trading on the regulated market of the Irish Stock Exchange.

2. The Issuer is not or 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), since 14 October 2011 (being the date of incorporation of the Issuer) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer.
3. No statutory or non-statutory accounts within the meaning of Section 434 of the Companies Act 2006 in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on the Official List of the Irish Stock Exchange and the Notes are admitted to trading on the regulated market of the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. Since 14 October 2011 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since its date of incorporation, the Issuer has not commenced operations and no financial statements have been made as of the date of this Prospectus.
7. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 10 May 2012.
8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Codes:

<b>Class of Notes</b>	<b>ISIN</b>	<b>Common Code</b>
Class A	XS 0778328079	077832807
Class B	XS 0778328236	077832823

9. From the date of this Prospectus and for so long as the Notes are listed on the Irish Stock Exchange's regulated market and the rules of the Irish Stock Exchange so require, copies of the following documents in physical or electronic form may be inspected, upon reasonable notice, at the registered offices of the Issuer and of the Principal Paying Agent and the Listing Agent during usual business hours, on any weekday (public holidays excepted):
  - (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the Corporate Services Agreement;

- (c) the Mortgage Sale Agreement;
- (d) the Administration Agreement;
- (e) the Back-up Administration Agreement;
- (f) the Trust Deed;
- (g) the Deed of Charge;
- (h) the Agency Agreement;
- (i) the Cash Management Agreement;
- (j) the Bank Account Agreement;
- (k) the Guaranteed Investment Contract;
- (l) the Subordinated Loan Agreement;
- (m) the Seller Power of Attorney;
- (n) the Issuer Power of Attorney; and
- (o) the Master Definitions and Construction Schedule.

Copies of the above documents will also be made available via the Administrator's transaction internet website currently located at <https://www.structuredfn.com/portal/company/?sfn/deal/Tenterden%20Funding%20Plc>. The website does not form part of the information provided for the purposes of this Prospectus and disclaimers may be posted with respect to the information posted thereon. Registration may be required for access to such website.

10. Each quarterly Investor Report will be made available to the relevant Noteholders via the Cash Manager's internet website currently located at <https://tss.sfs.db.com/investpublic>. The Cash Manager's website does not form part of the information provided for the purposes of this Prospectus and disclaimers may be posted with respect to the information posted thereon. Registration may be required for access to such website and persons wishing to access such website may be required to certify that they are Noteholders or otherwise entitled to access such website.
11. Post issuance information will be made available by or on behalf of the Issuer in relation to each Loan. Prior to Invocation, such information will be accessible via the following website, subject to the terms set out therein: <https://www.structuredfn.com/portal/company/?sfn/deal/Tenterden%20Funding%20Plc>. The website will be updated by or on behalf of the Issuer on a quarterly basis (and by no later than 15 Business Days after each Collection Period End Date). The website and the contents thereof do not form part of this Prospectus. Following Invocation, such information will be publically disclosed in such agreed and appropriate manner as notified to Noteholders in accordance with the Conditions.
12. Other than as outlined in paragraphs 10 and 11 above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
13. The Issuer confirms that the assets backing the issue of the Notes, taken together with the other arrangements to be entered into by the Issuer on the Issue Date (including those described in the section of this Prospectus entitled '*Credit Structure*' above), have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing

the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.

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