

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES EXCEPT TO QIBS (AS DEFINED BELOW) IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT.**

**IMPORTANT: YOU MUST READ THE FOLLOWING BEFORE CONTINUING.** The following applies to the Prospectus attached to this electronic transmission (the "**Prospectus**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. You acknowledge that you will not forward this electronic form of the Prospectus to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOTES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), AND THE SECURITIES 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 UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE NOTES ARE BEING OFFERED ONLY (I) IN THE UNITED STATES, TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**") IN RELIANCE ON RULE 144A ("**RULE 144A**") OF THE SECURITIES ACT AND (II) OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT "**U.S. PERSONS**" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) IN RELIANCE ON REGULATION S. THE TRANSFER OF THE NOTES IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS, AS DESCRIBED UNDER "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*" HEREIN.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

YOU ARE REMINDED THAT THE PROSPECTUS HAS BEEN DELIVERED TO YOU ON THE BASIS THAT YOU ARE A PERSON INTO WHOSE POSSESSION THE PROSPECTUS MAY BE LAWFULLY DELIVERED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH YOU ARE LOCATED AND YOU MAY NOT, NOR ARE YOU AUTHORISED TO, DELIVER THE PROSPECTUS TO ANY OTHER PERSON.

THE MATERIALS RELATING TO THE OFFERING DO NOT CONSTITUTE, AND MAY NOT BE USED IN CONNECTION WITH, AN OFFER OR SOLICITATION IN ANY PLACE WHERE OFFERS OR SOLICITATIONS ARE NOT PERMITTED BY LAW. IF A JURISDICTION REQUIRES THAT THE OFFERING BE MADE BY A LICENSED BROKER OR DEALER AND MERRILL LYNCH INTERNATIONAL (THE "**SOLE LEAD MANAGER**") OR ANY AFFILIATE OF THE SOLE LEAD MANAGER IS A LICENSED BROKER OR DEALER IN THAT JURISDICTION, THE OFFERING SHALL BE DEEMED TO BE MADE BY THE SOLE LEAD MANAGER OR SUCH AFFILIATE ON BEHALF OF THE ISSUER IN SUCH JURISDICTION.

**Confirmation of Your Representation:** BY ACCESSING THE PROSPECTUS, YOU SHALL BE DEEMED TO HAVE CONFIRMED AND REPRESENTED TO US THAT (A) YOU HAVE UNDERSTOOD AND AGREED TO THE TERMS SET OUT HEREIN, (B) YOU CONSENT TO DELIVERY OF THE PROSPECTUS BY ELECTRONIC TRANSMISSION, (C) YOU ARE EITHER (I) NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S) OR ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND THE ELECTRONIC MAIL ADDRESS THAT YOU HAVE GIVEN TO US AND TO WHICH THIS E-MAIL HAS BEEN DELIVERED IS NOT LOCATED IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS) OR THE DISTRICT OF COLUMBIA OR (II) A QIB, IN EACH CASE ACTING FOR YOUR OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS AND (D) IF YOU ARE A PERSON IN THE UNITED KINGDOM, THEN YOU ARE A PERSON WHO (I) HAS PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS OR (II) IS A HIGH NET WORTH ENTITY FALLING WITHIN ARTICLES 49(2)(A) TO (D) OF THE FINANCIAL SERVICES AND MARKETS ACT (FINANCIAL PROMOTION) ORDER 2005.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Arranger, the Sole Lead Manager, the Transaction Parties or any person who controls any such person or any director, officer, employee or agent of any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Co-operative Bank p.l.c., or the Sole Lead Manager.

The Notes are offered subject to prior sale or withdrawal, cancellation or modification of this offering without notice. The Issuer, the Arranger and the the Sole Lead Manager also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason and to allot to any prospective purchaser less than the full amount of Notes sought by such investor. You acknowledge that you have been afforded an opportunity to request from the Issuer, and have received and reviewed, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in the Prospectus. You also acknowledge that you have not relied on the Seller, the Originators, the Legal Title Holders, the Arranger, the Sole Lead Manager, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager, the Account Bank, the Corporate Services Provider, the Agent Bank, the Third Party Collection Agent, the Registrar, the Note Trustee, the Security Trustee or the Liquidation Agent or any person affiliated with such parties in connection with the investigation of the accuracy of such information or your investment decision. The contents of the Prospectus are not to be construed as legal, business or tax advice. Each prospective purchaser should consult its own attorney, business adviser and tax adviser for legal, business and tax advice relating to an investment in the Notes. The Prospectus summarises documents and other information in a manner that does not purport to be complete, and these summaries are subject to, and qualified in their entirety by reference to, all of the provisions of such documents.

No representation or warranty is made by the Seller, the Originators, the Legal Title Holders, the Arranger, the Sole Lead Manager, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager, the Account Bank, the Corporate Services Provider, the Agent Bank, the Third Party Collection Agent, the Registrar, the Note Trustee, the Security Trustee or the Liquidation Agent or any other person as to the legality of an investment in the Notes under any investment or similar laws or as to the classification or treatment of the Notes under any risk weighting, securities valuation, regulatory accounting or other financial institution regulatory regimes of the National Association of Insurance Commissioners, any state insurance commissioner, any federal or state banking authority, or any other regulatory body. You should obtain your own legal, accounting, tax and financial advice as to the desirability of an investment in the Notes, and the consequences of such an investment.

# WARWICK FINANCE RESIDENTIAL MORTGAGES NUMBER FOUR PLC

Legal entity identifier (LEI): 2138004KCL7M1SQMD197

(Incorporated in England and Wales with limited liability, registered number 12012415)

Class of Notes	Initial Principal Amount	Issue Price	Reference Rate	Margin	Step-Up Margin (applicable on and from the Step-Up Date)	Ratings DBRS/ S&P	Final Maturity Date
Class A .....	£266,668,000	100%	Three-Month Sterling LIBOR	0.900% per annum	1.350% per annum	AAA / AAA	March 2042
Class B .....	£14,118,000	100%	Three-Month Sterling LIBOR	1.750% per annum	2.625% per annum	AA / AA	March 2042
Class C .....	£9,412,000	100%	Three-Month Sterling LIBOR	2.100% per annum	3.100% per annum	A(1) / A	March 2042
Class D .....	£4,707,000	100%	Three-Month Sterling LIBOR	2.500% per annum	3.500% per annum	BBB(h) / BBB+	March 2042
Class E .....	£4,707,000	100%	Three-Month Sterling LIBOR	3.500% per annum	4.500% per annum	BB(h) / B	March 2042
Class F .....	£4,707,000	100%	N/A	N/A	N/A	N/A	March 2042
Principal Certificates .....	Residual N/A	N/A	N/A	N/A	N/A	N/A	N/A
Revenue Certificates .....	Residual N/A	N/A	N/A	N/A	N/A	N/A	N/A

"Issue Date" ..... The Issuer will issue the Notes and the Residual Certificates in the classes set out above on or about 23 August 2019 (the "Closing Date").

"Stand alone/programme issuance" ..... Stand alone issuance.

"Underlying Assets" ..... The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue received from a portfolio comprising mortgage loans originated by Platform Funding Limited ("PFL"), GMAC-RFC Limited (now called Paratus AMC Limited) ("GMAC" or "GMAC-RFC"), Verso Limited ("Verso"), Kensington Mortgage Company Limited ("KMCL") and Southern Pacific Mortgage Limited ("SPML") (together the "Originators") sold by The Co-operative Bank p.l.c., in its capacity as seller (the "Seller"), and secured over residential properties located in England and Wales, Scotland and Northern Ireland (the "Portfolio") which will be purchased by the Issuer on the Closing Date.

See the sections entitled "Risk Factors", "The Loans" and "Characteristics of the Provisional Portfolio" for further details.

"Notes and Residual Certificates" ..... The Notes and the Residual Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state or other jurisdiction of the United States. Accordingly, the Notes are being offered and sold only (I) in the United States, to QIBs acting for their own account, or for the account or benefit of one or more QIBs, in reliance on Rule 144A and (II) outside the United States to persons other than U.S. Persons in reliance on Regulation S. The Notes and the Residual Certificates may be resold or otherwise transferred, subject to other restrictions on transfer described herein, only (I) to QIBs acting for their own account, or for the account or benefit of one or more QIBs, in reliance on Rule 144A or another exemption from registration under the Securities Act or (II) outside the United States to persons other than U.S. Persons in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Notes and the Residual Certificates may be relying on another available exemption from the requirements of Section 5 of the Securities Act. For a description of certain further restrictions and conditions on offers, sales and transfers of Notes or Residual Certificates in this Prospectus, see "Transfer Restrictions and Investor Representations".

Only the Notes are being offered hereby. The Residual Certificates are not being offered hereby.

"Credit Enhancement" .....

- The subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Residual Certificates;
- excess Available Revenue Receipts.

See the sections entitled "Transaction Overview – Credit Structure and Cashflow" and "Credit Structure" for further details.

"Liquidity Support" .....

- The application in certain circumstances of Principal Receipts toward certain interest payments due under the Most Senior Class of Notes.
- In respect of the Class A Notes and the Class B Notes only, amounts (if any) standing to the credit of the Liquidity Reserve Ledger.
- Interest due and payable on the Notes (other than payments of interest in respect of the Class A Notes) may be deferred in accordance with the Conditions. Any payments due on the Principal Residual Certificates are subordinated to payments of principal on the Notes. Any payments due on the Revenue Residual

Certificates are subordinated to payments of revenue on the Notes.

See the sections entitled "*Transaction Overview – Credit Structure and Cashflow*" and "*Credit Structure*" for further details.

"Redemption Provisions" .....	Information on any optional and mandatory redemption of the Notes is summarised on page 62 (" <i>Transaction Overview – Summary of the Terms and Conditions of the Notes</i> ") and set out in full in Condition 7 ( <i>Redemption</i> ) of the terms and conditions of the Notes (the " <b>Conditions</b> ").
"Credit Rating Agencies" .....	DBRS Ratings Limited (" <b>DBRS</b> ") and Standard & Poor's Credit Market Service Europe Limited (" <b>Standard &amp; Poor's</b> " or " <b>S&amp;P</b> ") and together with DBRS the " <b>Rating Agencies</b> "). As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (the " <b>CRA Regulation</b> ").
"Credit Ratings" .....	Ratings are expected to be assigned to the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes as set out above on or before the Closing Date. The Principal Residual Certificates and the Revenue Residual Certificates (together the " <b>Residual Certificates</b> ") will not be rated. The assignment of a rating to each Class of Notes is not a recommendation to invest in such Class of 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.
"Listing" .....	This document comprises a prospectus (the " <b>Prospectus</b> ") for the purpose of Regulation (EU) 2017/1129 as amended or superseded (the " <b>Prospectus Regulation</b> ").  The Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Regulation, as supplemented by Commission Delegated Regulation (EU) 2019/980 of 14 March 2019. The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the Central Bank of Ireland should not be considered as an endorsement of the Issuer. Such approval relates to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended the " <b>MIFID II</b> ") and/or which are to be offered to the public in any Member State of the European Economic Area.  Application has been made to Irish Stock Exchange plc trading as Euronext Dublin (" <b>Euronext Dublin</b> ") for the Notes to be admitted to the official list (the " <b>Official List</b> ") and trading on the regulated market of Euronext Dublin. The regulated market of Euronext Dublin is a regulated market for the purposes of the MIFID II references in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on Euronext Dublin's regulated market. By approving this Prospectus, the Central Bank of Ireland only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the Central Bank of Ireland should not be considered as an endorsement of the Issuer or the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.  The Prospectus is valid for 12 months from its date. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply, once the Notes are admitted to the Official List and trading on its regulated market.
"Benchmarks" .....	Interest payable under the Notes may be calculated by reference to LIBOR, provided by ICE Benchmark Administration Limited. At the date of this Prospectus, ICE Benchmark Administration Limited appears on the public register of administrators and benchmarks established and maintained by ESMA in accordance with article 36 of Regulation (EU) 2016/1011 (the " <b>Benchmarks Regulation</b> ").
"Obligations" .....	The Notes and the Residual Certificates will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity named in the Prospectus.
"European Union Retention Undertaking" .....	The Seller, as originator, will, in accordance with Article 6 of Regulation (EU) 2017/2402, together with any implementing regulation, technical standards and official guidance related thereto, in each case as amended, varied or substituted from time to time (the " <b>Securitisation Regulation</b> ") (which does not take into account any corresponding relevant national measures and as interpreted and applied on the date hereof), will retain a material net economic interest of at least 5 per cent. in the securitisation. As at the Closing Date, such interest will comprise not less than 5 per cent. of the nominal value of each of the tranches sold or transferred to the investors (the " <b>Retention Requirement</b> "). Any change in the manner in which the interest is held will be notified to the Noteholders. See section entitled " <i>Certain Regulatory Disclosures</i> ".
"U.S. Risk Retention" .....	The Seller, as "sponsor" for purposes of Section 15G of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules promulgated thereunder (the "U.S. Risk Retention Rules"), is required to acquire and retain (either directly or through a majority-owned affiliate), at least 5 per cent. of the credit risk of the assets collateralising the 'asset-backed securities' issued on the Closing Date. The Seller intends to comply with the requirements of the U.S. Risk Retention Rules by acquiring on the Closing Date and retaining, either directly or through a majority-owned affiliate, an eligible vertical interest (an "EVI") equal to 5 per cent. in each Class of Notes and Residual Certificates. See the section entitled " <i>Certain Regulatory Disclosures – U.S. Credit Risk Retention</i> ".  " for further details.
"Residual Certificates" .....	In addition to the Notes, the Issuer will issue the Residual Certificates to the Seller on the Closing Date, representing the right to receive the Residual Payments by way of Deferred Consideration for the Portfolio.  The Residual Certificates will be sold by the Seller to one or more third party investors on the Closing Date. See the section entitled " <i>Terms and Conditions of the Residual Certificates</i> " for further details.
"Significant Investor" .....	Significant concentrations of holdings of the Notes and the Residual Certificates may occur. In holding some or all of the Notes and Residual Certificates, any investor holding such concentrations may have a majority holding and therefore be able to pass, or hold a sufficient minority to block, Noteholder resolutions.  It is expected that on the Closing Date, one or more third party investors will acquire a majority holding in the Notes and the Residual Certificates, giving it a sufficient ability to pass or block Noteholder resolutions. Therefore, no assurance can be given that any subsequent Noteholder will have influence to block or pass certain Noteholder resolutions.  The Seller will also retain on the Closing Date, either directly or through a majority-owned affiliate, at least 5 per cent. of each Class of Notes and Residual Certificates in accordance with the U.S. Risk Retention Rules and the Securitisation Regulation.
"Volcker Rule" .....	The Issuer is not now, and immediately following the issuance of the Notes and the application of the proceeds thereof it will not be, a "covered fund" as defined in the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (such statutory provision together with such implementing regulations, the " <b>Volcker Rule</b> "). Although other exclusions may be available to the Issuer, this view is based on the exemption provided in Section 3(c)(5)(C) of the U.S. Investment Company Act of 1940, as amended (the " <b>Investment Company Act</b> ").

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

Bank of America Merrill Lynch

SOLE LEAD MANAGER

Bank of America Merrill Lynch

The date of this Prospectus is 22 August 2019.

## IMPORTANT NOTICE

THE NOTES AND THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF THE ISSUER ONLY. NEITHER THE NOTES NOR THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, NEITHER THE NOTES NOR THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE ORIGINATORS, THE LEGAL TITLE HOLDERS, THE ARRANGER, THE SOLE LEAD MANAGER, THE SERVICER, THE BACK-UP SERVICER, THE CASH MANAGER, THE BACK-UP CASH MANAGER, THE ACCOUNT BANK, THE CORPORATE SERVICES PROVIDER, THE AGENT BANK, THE THIRD PARTY COLLECTION AGENT, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR THE LIQUIDATION AGENT (EACH AS DEFINED HEREIN), 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 OR THE RESIDUAL CERTIFICATES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE ORIGINATORS, THE LEGAL TITLE HOLDERS, THE ARRANGER, THE SOLE LEAD MANAGER, THE SERVICER, THE BACK-UP SERVICER, THE CASH MANAGER, THE BACK-UP CASH MANAGER, THE ACCOUNT BANK, THE CORPORATE SERVICES PROVIDER, THE AGENT BANK, THE THIRD PARTY COLLECTION AGENT, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR THE LIQUIDATION AGENT, OR BY ANY PERSON OTHER THAN THE ISSUER.

THE NOTES ARE INTENDED TO BE HELD IN A MANNER WHICH WOULD ALLOW EUROSISTEM ELIGIBILITY. THIS MEANS THAT THE NOTES ARE INTENDED UPON ISSUE TO BE DEPOSITED WITH A COMMON SAFEKEEPER (OR A NOMINEE THEREOF) FOR CLEARSTREAM, LUXEMBOURG AND EUROCLEAR AND DOES NOT NECESSARILY MEAN THAT THE NOTES WILL BE RECOGNISED AS ELIGIBLE COLLATERAL FOR EUROSISTEM MONETARY POLICY AND INTRA-DAY CREDIT OPERATIONS BY THE EUROSISTEM ("**EUROSISTEM ELIGIBLE COLLATERAL**") EITHER UPON ISSUE OR AT ANY OR ALL TIMES DURING THEIR LIFE. SUCH RECOGNITION WILL DEPEND UPON SATISFACTION OF THE EUROSISTEM ELIGIBILITY CRITERIA. THE ISSUER GIVES NO REPRESENTATION, WARRANTY, CONFIRMATION OR GUARANTEE TO ANY INVESTOR IN THE NOTES THAT THE NOTES WILL, EITHER UPON ISSUE OR AT ANY TIME PRIOR TO REDEMPTION IN FULL, SATISFY ALL OR ANY OF THE REQUIREMENTS FOR EUROSISTEM ELIGIBILITY AND BE RECOGNISED AS EUROSISTEM ELIGIBLE COLLATERAL. ANY POTENTIAL INVESTOR IN THE NOTES SHOULD MAKE THEIR OWN CONCLUSIONS AND SEEK THEIR OWN ADVICE WITH RESPECT TO WHETHER OR NOT THE NOTES CONSTITUTE EUROSISTEM ELIGIBLE COLLATERAL.

The Notes of each Class that are initially offered and sold outside the United States to persons that are not U.S. persons in reliance on Regulation S (the "**Regulation S Notes**") will be represented on issue by a global note certificate in fully registered form (each, a "**Regulation S Global Note**"). The Regulation S Global Notes may be issued in definitive registered form under certain circumstances.

The Notes of each Class that are initially offered and sold in reliance on Rule 144A (the "**Rule 144A Notes**") will be represented on issue by one or more global notes of such Class, in fully registered form (each, a "**Rule 144A Global Note**" and, together with the Regulation S Global Notes, the "**Global Notes**"). The Rule 144A Global Notes may be issued in definitive registered form under certain circumstances.

The Principal Residual Certificates will be represented on issue by a global residual certificate in registered form (a "**Global Principal Residual Certificate**"). The Revenue Residual Certificates will be represented on issue by a global residual certificate in registered form (a "**Global Revenue Residual Certificate**"). The Principal Residual Certificates and the Revenue Residual Certificates may be issued in definitive registered form under certain circumstances.

**THIS PROSPECTUS (THIS "PROSPECTUS") DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE SELLER, THE LEGAL TITLE HOLDERS, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE SOLE LEAD MANAGER OR THE ARRANGER OR ANY OF THEM, TO SUBSCRIBE FOR OR PURCHASE ANY OF THE RESIDUAL CERTIFICATES, AND NONE OF THEM MAKES ANY REPRESENTATION, WARRANTY OR OTHER ASSURANCE, EXPRESSED OR IMPLIED, TO ANY INVESTORS IN THE RESIDUAL CERTIFICATES (AND NOTHING CONTAINED HEREIN IS, OR SHALL BE RELIED UPON AS, A REPRESENTATION, WHETHER AS TO THE PAST, THE PRESENT OR THE FUTURE).**

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, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ORIGINATORS, THE LEGAL TITLE HOLDERS, THE SOLE LEAD MANAGER OR THE ARRANGER 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 AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS REGULATION BY THE CENTRAL BANK OF IRELAND, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ARRANGER OR THE SOLE LEAD MANAGER 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, THE ARRANGER AND THE SOLE LEAD MANAGER TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

SOLELY FOR THE PURPOSES OF THE MANUFACTURER'S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE NOTES IS ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN DIRECTIVE 2014/65/EU (AS AMENDED, "**MIFID II**"); AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A DISTRIBUTOR) SHOULD TAKE INTO CONSIDERATION THE MANUFACTURER'S TARGET MARKET ASSESSMENT. HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING THE



MANUFACTURER'S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - THE NOTES AND RESIDUAL CERTIFICATES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTORS IN THE EUROPEAN ECONOMIC AREA ("EEA"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF MIFID II; (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED OR SUPERSEDED ("**INSURANCE DISTRIBUTION DIRECTIVE**")), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (AS AMENDED OR SUPERSEDED, THE "**PROSPECTUS REGULATION**"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE "**PRIIPS REGULATION**") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR RESIDUAL CERTIFICATES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THE CO-OPERATIVE BANK P.L.C. AND EACH OTHER OR SUBSEQUENT PURCHASER OF THE NOTES WILL BE DEEMED BY ITS ACCEPTANCE OF SUCH NOTES TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF THE NOTES AS SET FORTH THEREIN AND DESCRIBED IN THIS PROSPECTUS AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE AND OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

NONE OF THE ISSUER, THE ARRANGER, THE SOLE LEAD MANAGER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF ITS KNOWLEDGE, THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND THE PROSPECTUS MAKES NO OMISSION LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. ANY INFORMATION SOURCED FROM THIRD PARTIES CONTAINED IN THIS PROSPECTUS HAS BEEN ACCURATELY REPRODUCED (AND IS CLEARLY SOURCED WHERE IT APPEARS IN THIS PROSPECTUS) AND, AS FAR AS THE ISSUER IS AWARE AND IS ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE CO-OPERATIVE BANK P.L.C. ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE CO-OPERATIVE BANK P.L.C.*", "*CERTAIN REGULATORY DISCLOSURES*", "*THE LOANS*", AND "*CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO*". TO THE BEST OF THE KNOWLEDGE OF THE CO-OPERATIVE BANK P.L.C., THE INFORMATION CONTAINED IN THE SECTIONS REFERRED TO IN THIS PARAGRAPH 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 THE CO-OPERATIVE BANK P.L.C. AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OTHER THAN AS REFERRED TO ABOVE OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

PLATFORM FUNDING LIMITED, MORTGAGE AGENCY SERVICES NUMBER TWO LIMITED, MORTGAGE AGENCY SERVICES NUMBER FOUR LIMITED, MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED, MORTGAGE AGENCY SERVICES NUMBER SIX LIMITED, CITIBANK, N.A., LONDON BRANCH, INTERTRUST MANAGEMENT LIMITED, WESTERN MORTGAGE SERVICES LIMITED, HOMELOAN MANAGEMENT LIMITED, U.S. BANK TRUSTEES LIMITED AND PRICEWATERHOUSECOOPERS LLP ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*PLATFORM FUNDING LIMITED*", THE SECTION HEADED "*MORTGAGE AGENCY SERVICES NUMBER TWO LIMITED*", THE SECTION HEADED "*MORTGAGE AGENCY SERVICES NUMBER FOUR LIMITED*", THE SECTION HEADED "*MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED*", THE SECTION HEADED "*MORTGAGE AGENCY SERVICES NUMBER SIX LIMITED*", THE SECTION HEADED "*CITI ACCOUNT BANK*", THE SECTION HEADED "*INTERTRUST MANAGEMENT LIMITED*", THE SECTION HEADED "*WESTERN MORTGAGE SERVICES LIMITED*", THE SECTION HEADED "*HOMELoAN MANAGEMENT LIMITED*", THE SECTION HEADED "*THE NOTE TRUSTEE AND SECURITY TRUSTEE*" AND THE SECTION HEADED "*THE LIQUIDATION AGENT*" RESPECTIVELY. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF CITIBANK, N.A., LONDON BRANCH, INTERTRUST MANAGEMENT LIMITED, WESTERN MORTGAGE SERVICES LIMITED, U.S. BANK TRUSTEES LIMITED AND PRICEWATERHOUSECOOPERS LLP (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE RELEVANT SECTION REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

PLATFORM FUNDING LIMITED AND THE CO-OPERATIVE BANK P.L.C. ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*CERTAIN REGULATORY DISCLOSURES*".

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE CO-OPERATIVE BANK P.L.C., PLATFORM FUNDING LIMITED, MORTGAGE AGENCY SERVICES NUMBER TWO LIMITED, MORTGAGE AGENCY SERVICES NUMBER FOUR LIMITED, MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED, MORTGAGE AGENCY SERVICES NUMBER SIX LIMITED, CITIBANK, N.A., LONDON BRANCH, INTERTRUST MANAGEMENT LIMITED, WESTERN MORTGAGE SERVICES LIMITED, HOMELOAN MANAGEMENT LIMITED, U.S. BANK TRUSTEES LIMITED AND PRICEWATERHOUSE COOPERS LLP AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THEIR RESPECTIVE SECTIONS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE INFORMATION ON THE WEBSITES TO WHICH THIS PROSPECTUS REFERS DOES NOT FORM PART OF THIS PROSPECTUS AND HAS NOT BEEN SCRUTINISED OR APPROVED BY THE CENTRAL BANK OF IRELAND.

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, THE SELLER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, THE ORIGINATORS, THE LEGAL TITLE HOLDERS, THE ARRANGER, THE SOLE LEAD MANAGER 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 OR THE SELLER OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER AND THE OTHER SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN BE GIVEN BY THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE SOLE LEAD MANAGER OR THE ARRANGER AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGER, THE SOLE LEAD MANAGER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE HAS SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, THE SOLE LEAD MANAGER OR THE ARRANGER 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.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE SOLE LEAD MANAGER OR THE ARRANGER 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.

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 "**€**", "**EUR**" AND "**EURO**" ARE REFERENCES TO THE SINGLE CURRENCY INTRODUCED AT THE THIRD STAGE OF EUROPEAN ECONOMIC AND MONETARY UNION PURSUANT TO THE TREATY ESTABLISHING THE EUROPEAN COMMUNITIES AS AMENDED FROM TIME TO TIME.

IN THIS PROSPECTUS ALL REFERENCES TO THE "**FINANCIAL CONDUCT AUTHORITY**" OR "**FCA**" ARE TO THE UNITED KINGDOM FINANCIAL CONDUCT AUTHORITY AND ALL REFERENCES TO THE "**PRUDENTIAL REGULATION AUTHORITY**" OR "**PRA**" ARE TO

THE UNITED KINGDOM PRUDENTIAL REGULATION AUTHORITY WHICH IN EACH CASE BEFORE 1 APRIL 2013 WAS KNOWN AS THE FINANCIAL SERVICES AUTHORITY OR FSA.

### **United States Distribution Restrictions**

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, NOR WILL THE NOTES BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS UNLESS PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD ONLY (I) TO QIBS ACTING FOR THEIR OWN ACCOUNT, OR FOR THE ACCOUNT OR BENEFIT OF ONE OR MORE QIBS, IN RELIANCE ON RULE 144A AND (II) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS IN RELIANCE ON REGULATION S. THE NOTES MAY BE RESOLD OR OTHERWISE TRANSFERRED, SUBJECT TO OTHER RESTRICTIONS ON TRANSFER DESCRIBED HEREIN, ONLY (I) TO QIBS ACTING FOR THEIR OWN ACCOUNT, OR FOR THE ACCOUNT OR BENEFIT OF ONE OR MORE QIBS, IN RELIANCE ON RULE 144A OR ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON ANOTHER AVAILABLE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE NOTES AND THE RESIDUAL CERTIFICATES IN THIS PROSPECTUS, SEE "*SUBSCRIPTION AND SALE*" AND "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

THE NOTES OFFERED HEREBY HAVE NOT BEEN APPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), OR ANY STATE SECURITIES COMMISSION OR ANY OTHER U.S. REGULATORY AUTHORITY. AN OFFER OR SALE OF A GLOBAL NOTE WITHIN THE UNITED STATES MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN TO QIBS IN COMPLIANCE WITH RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Purchasers and transferees of Notes will be deemed to have made certain representations regarding the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"). All investors, especially U.S. investors, are urged to study "*Certain ERISA Considerations*" in this Prospectus, including the deemed representations contained in that section, before making an investment decision.

Any offers and sales of the Notes in the United States will be made by the Sole Lead Manager through affiliates that are registered broker-dealers under the Exchange Act.

THE NOTES MAY NOT BE SOLD IN THIS INITIAL OFFERING WITHOUT DELIVERY OF A FINAL PROSPECTUS.

IN THE U.S., THIS PROSPECTUS IS PERSONAL TO EACH OFFEREE AND DOES NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON OR TO THE PUBLIC GENERALLY TO SUBSCRIBE FOR OR OTHERWISE ACQUIRE THE NOTES. DISTRIBUTION OF THIS PROSPECTUS TO ANY PERSON OTHER THAN THE OFFEREE AND THOSE PERSONS, IF

ANY, RETAINED TO ADVISE SUCH OFFEREE WITH RESPECT THERETO IS UNAUTHORISED, AND ANY DISCLOSURE OF ANY OF THE CONTENTS THEREOF OR HEREOF WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUER IS PROHIBITED. EACH PROSPECTIVE PURCHASER, BY ACCEPTING DELIVERY OF THIS PROSPECTUS, AGREES TO THE FOREGOING AND THAT IT WILL NOT MAKE ANY COPIES OF, NOR FORWARD, THIS PROSPECTUS OR ANY DOCUMENTS REFERRED TO HEREIN AND, IF THE OFFEREE DOES NOT PURCHASE ANY NOTES OR THIS OFFERING IS TERMINATED, TO RETURN THIS PROSPECTUS AND ALL DOCUMENTS DELIVERED HEREWITH.

### **Enforceability of Judgments**

The Issuer is a public limited company registered in England and Wales. All of the Issuer's assets are located outside the United States. None of the officers and directors of the Issuer are residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or any such person not residing in the United States with respect to matters arising under the federal securities laws of the United States, or to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of such securities laws. There is doubt as to the enforceability in England and Wales, in original actions or in actions for the enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

### **Available Information**

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Notes, the Issuer will be required to furnish, upon the request of any holder of the Notes, to such holder and a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act.

### **Forward-Looking Statements and Statistical Information**

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 judgements by the Issuer 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.

This Prospectus also contains certain tables and other statistical analyses (the "**Statistical Information**") which have been prepared in reliance on information provided by the Issuer and/or the Seller. Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance

can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic.

None of the Note Trustee, the Security Trustee, the Arranger or the Sole Lead Manager has attempted to verify any such forward-looking statements or Statistical Information, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements or Statistical Information. None of the Issuer, the Note Trustee, the Security Trustee, the Arranger or the Sole Lead Manager assumes any obligation to update these forward-looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated.

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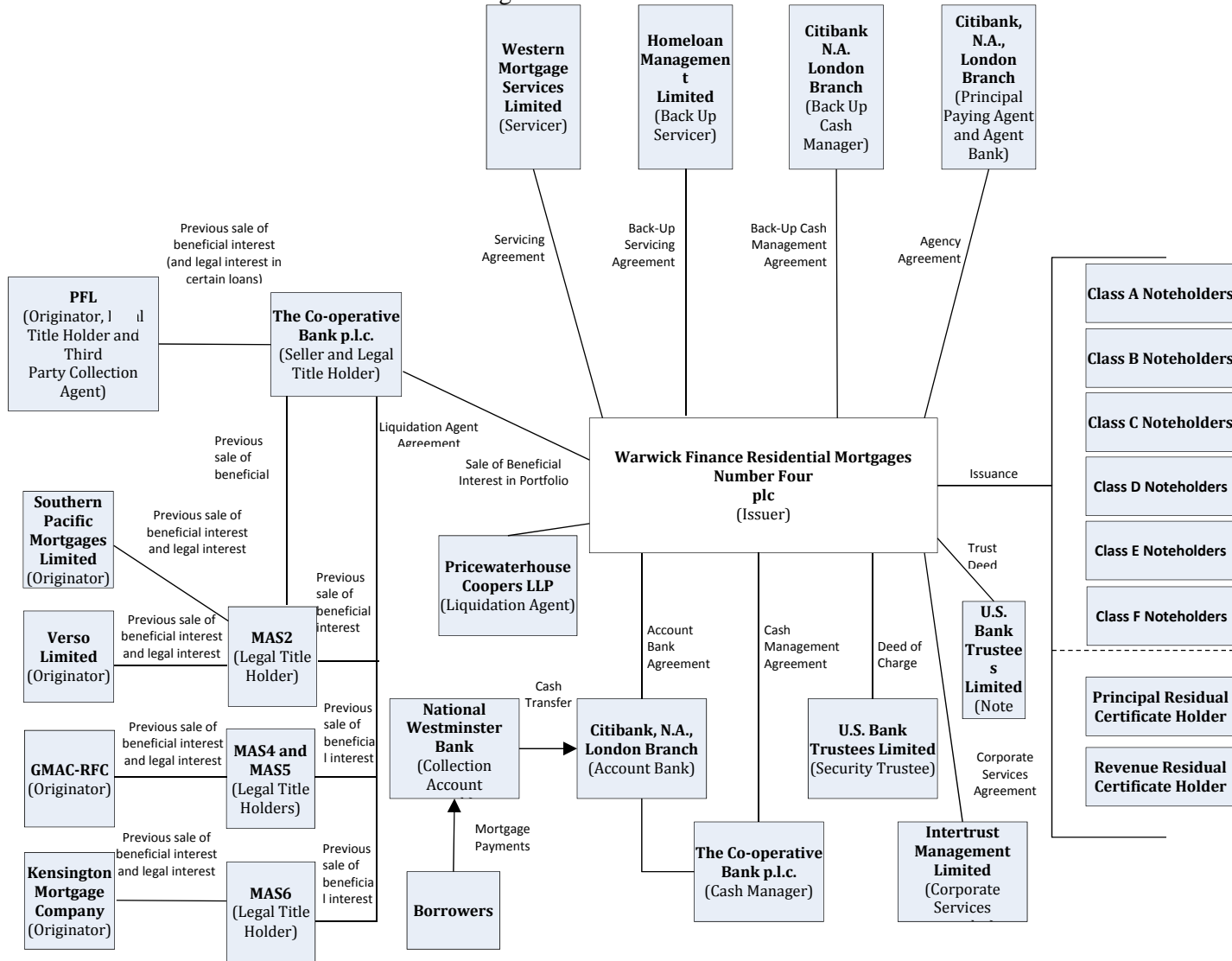
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# STRUCTURE DIAGRAMS

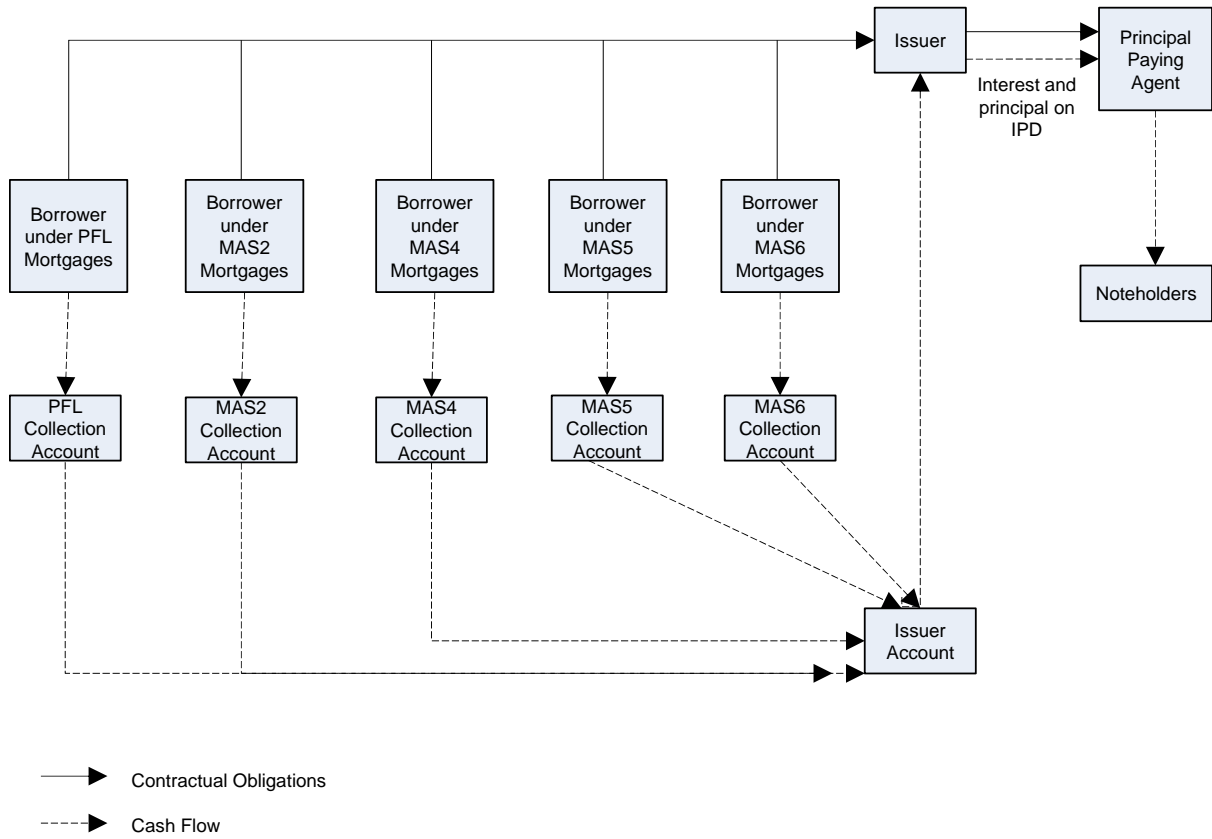
## DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

Figure 1 – Transaction Structure



## DIAGRAMMATIC OVERVIEW OF ONGOING CASHFLOWS

Figure 2 – Cashflow Structure



## OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

Figure 3 – Ownership Structure

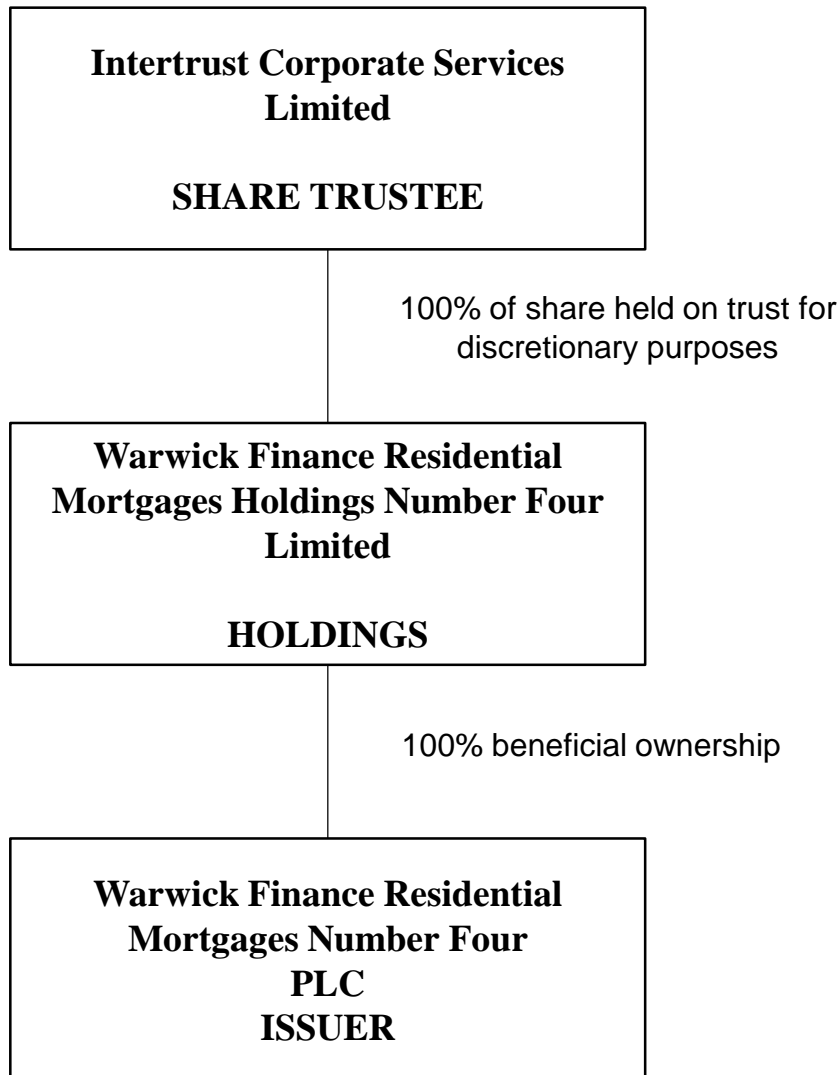


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- The Issuer is a wholly owned subsidiary of Holdings in respect of its beneficial ownership.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a trust the benefit of which is expressed to be for discretionary purposes.
- None of the Issuer, Holdings and the Share Trustee is either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Seller or any member of the group of companies containing the Seller.
- Holdings is not party to any Transaction Documents (other than the Master Definitions and Construction Schedule and the Corporate Services Agreement). Its role within the transaction is limited to holding the shares of the Issuer.

## TRANSACTION OVERVIEW – TRANSACTION PARTIES

*The information set out below is an overview of the transaction parties. This overview does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.*

**You should read the entire Prospectus carefully, especially the risks of investing in the Notes discussed under "Risk Factors".**

Capitalised terms used, but not defined, in certain sections of this Prospectus, including this overview, may be found in other sections of this Prospectus, unless otherwise stated. An index of defined terms is set out at the end of this Prospectus.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Issuer</b> .....	Warwick Finance Residential Mortgages Number Four PLC	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
<b>Holdings</b> .....	Warwick Finance Residential Mortgages Holdings Number Four Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
<b>Seller</b> .....	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, England M60 0AL	See the section entitled " <i>The Co-operative Bank p.l.c.</i> " for further information.
<b>Legal Title Holders</b> .....	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, England M60 0AL	See the section entitled " <i>The Co-operative Bank p.l.c.</i> " for further information.
	Mortgage Agency Services Number Two Limited	1 Balloon Street, Manchester, M60 0AG	See the section entitled " <i>Mortgage Agency Services Number Two Limited</i> " for further information.
	Mortgage Agency Services Number Four Limited	1 Balloon Street, Manchester, M60 0AG	See the section entitled " <i>Mortgage Agency Services Number Two Limited</i> " for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
		M60 0AL	
	Mortgage Agency Services Number Five Limited	1 Balloon Street, Manchester, M60 0AG	See the section entitled " <i>Mortgage Agency Services Number Five Limited</i> " for further information.
	Mortgage Agency Services Number Six Limited	Secretariat, 1 Angel Square, Manchester, M60 0AG	See the section entitled " <i>Mortgage Agency Services Number Six Limited</i> " for further information.
		M60 0AL	
	Platform Funding Limited	1 Balloon Street, Manchester, England	See the section entitled " <i>Platform Funding Limited</i> " for further information.
		M60 0AL	
<b>Servicer</b> .....	Western Mortgage Services Limited	30 Berners Street, London W1T 3LR	Servicing Agreement by the Issuer, the Seller, the Legal Title Holders and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " for further information.
<b>Cash Manager</b> .....	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, England M60 0AL	Cash Management Agreement by, <i>inter alios</i> , the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " for further information.
<b>Back-Up Cash Manager</b> .....	Citibank, N.A., London Branch ("Citi Account Bank")	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Back-Up Cash Management Agreement by, <i>inter alios</i> , the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Back-Up Cash Management Agreement and Replacement Cash Management Agreement</i> " for further information.
<b>Liquidation Agent</b> .....	Pricewaterhouse -Coopers LLP	7 More London Riverside, London, SE1 2RT	Liquidation Agent Agreement. See the section entitled " <i>Summary of the Key Transaction Documents – Liquidation Agent Agreement</i> " for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Account Bank .....</b>	Citibank, N.A., London Branch ("Citi Account Bank")	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	The Citi Bank Account Agreement by the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – The Citi Bank Account Agreement</i> " for further information.
<b>Security Trustee .....</b>	U.S. Bank Trustees Limited	125 Old Broad Street, London EC2N 1AR	Deed of Charge. See the " <i>Terms and Conditions of the Notes</i> " for further information.
<b>Note Trustee</b>	U.S. Bank Trustees Limited	125 Old Broad Street, London EC2N 1AR	Trust Deed. See the " <i>Terms and Conditions of the Notes</i> " for further information.
<b>Principal Paying Agent and Agent Bank .....</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Agency Agreement by the Issuer. See the " <i>Terms and Conditions of the Notes</i> " for further information.
<b>Back-Up Servicer .....</b>	Homeloan Management Limited	The Pavilions, Bridgwater Road, Bristol, Avon, BS13 8AE	Back-Up Servicing Agreement by, <i>inter alios</i> , the Issuer, the Seller, the Back-Up Servicer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – The Back-Up Servicing Agreement</i> " for further information.
<b>Registrar .....</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	In respect of the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and the Class F Notes, the Agency Agreement, by the Issuer. See the " <i>Terms and Conditions of the Notes</i> " for further information.
<b>Corporate Services Provider .....</b>	Intertrust Management Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings.
<b>Share Trustee .....</b>	Intertrust Corporate Services Limited	35 Great St. Helen's, London, EC3A 6AP	Share Trust Deed by the Share Trustee
<b>Collection Account Bank .....</b>	National Westminster Bank (the "Collection Account Bank")	250 Bishopsgate London EC2M 4AA	From the Closing Date, the obligations of the Collection Account Bank may be transferred from the Collection Account Bank to the Co-operative Bank p.l.c. or another bank appointed by the Servicer.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Originators ..</b>	Platform Funding Limited	Secretariat, 1 Balloon Street, Manchester, England M60 0AL	See the section entitled " <i>Platform Funding Limited</i> " for further information.
	GMAC-RFC Limited (now called Paratus AMC Limited) ("GMAC-RFC" or "GMAC")	Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA	See the section entitled " <i>GMAC-RFC</i> " for further information. GMAC-RFC is not party to any Transaction Documents.
	Verso Limited (" <b>Verso</b> ") (liquidated)	Hill House 1, Little New Street, London, EC4A 3TR (former registered address)	See the section entitled " <i>Verso Limited</i> " for further information. Verso Limited is not party to any Transaction Documents.
	Kensington Mortgage Company Limited (" <b>KMCL</b> ")	Ascot House, Maidenhead Office Park, Maidenhead, SL6 3QQ	See the section entitled " <i>Kensington Mortgage Company Limited</i> " for further information. Kensington Mortgage Company Limited is not party to any Transaction Documents.
	Southern Pacific Mortgage Limited (" <b>SPML</b> ")	Hays Galleria, 1 Hays Lane, London, SE1 2RD	See the section entitled " <i>Southern Pacific Mortgage Limited</i> " for further information. Southern Pacific Mortgage Limited is not party to any Transaction Documents.
<b>Arranger and Sole Lead Manager .....</b>	Merrill Lynch International (" <b>BofAML</b> " and the " <b>Arranger</b> " and " <b>Sole Lead Manager</b> ")	2 King Edward Street, London EC1A 1HQ	Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
<b>Third Party Collection Agent .....</b>	Platform Funding Limited	Secretariat, 1 Balloon Street, Manchester, England M60 0AL	Servicing Agreement by the Issuer, the Seller and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " for further information.
<b>Listing Agent</b>	Walkers Listing Services Limited (" <b>Listing</b> ")	5th Floor, The Exchange, George's Dock, IFSC Dublin 1,	N/A

Party	Name Agent")	Address Ireland	Document under which appointed/Further Information
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## **RISK FACTORS**

The following is a description of the principal risks associated with an investment in the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes (together the "**Notes**"). These risk factors are material to an investment in the Notes and in the Issuer. Prospective Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders, Class E Noteholders and Class F Noteholders (together the "**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.

*An investment in the Notes is only suitable for investors experienced in financial matters who are in a position to fully assess the risks relating to such an investment and who have sufficient financial means to suffer any potential loss stemming therefrom.*

The Issuer believes that the risks described below are the material risks inherent in the transaction for Noteholders but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks relating to the Notes are exhaustive. Additional risks or uncertainties not presently known to the Issuer or that the Issuer currently considers immaterial may also have an adverse effect on the Issuer's ability to pay interest, principal or other amounts in respect of the Notes. Prospective Noteholders should read the detailed information set out in this document, together with their own professional advisers, prior to making any investment decision.

### **RISKS RELATED TO THE NOTES**

#### ***The Issuer has a limited set of resources available to make payments on the Notes***

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and amounts due on the Residual Certificates and its operating and administrative expenses will be dependent solely on receipts from the Loans in the Portfolio, amounts standing to the credit of the Liquidity Reserve Ledger (in respect of the Class A Notes and the Class B Notes only) and interest earned on the Deposit Accounts. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and the Residual Certificates and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes and the Residual Certificates under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders, the Certificateholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Property following service of a Note Acceleration Notice is described below (see further "*Legal and Regulatory Risks – Security and insolvency considerations*").

#### ***Limited recourse***

The Notes and the Residual Certificates will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its obligations under the Notes and the Residual Certificates will be dependent upon the receipt by it in full of (i) principal, interest and fees from the Borrowers under the Loans and their Related Security in the Portfolio and (ii) interest earned on the Deposit Accounts. 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 is no Charged Property remaining which is capable of being realised or otherwise converted into cash;

- (b) all amounts available from the Charged Property 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 Property to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes,

then the Secured Creditors (which include the Noteholders and the Certificateholders) shall have no further claim against the Issuer or its directors, shareholders, officers or successors in respect of any amounts owing to them which remain unpaid (principally payments of principal and interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and the Issuer's payment obligations 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 order of priority set out in 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 order of priority set out in the Deed of Charge.

***Credit and liquidity risk arising from any delay or default in payment by the Borrowers may impact the timely and full payment of amounts due under the Notes***

The Issuer is subject to the risk of default in payment by the Borrowers and the failure by the Servicer, on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of a Loan and its Related Security in order to discharge all amounts due and owing by the relevant Borrowers under its Loan, which may adversely affect payments on the Notes and the Certificateholders. This risk is mitigated to some extent in respect of the Notes by certain credit enhancement features which are described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers (if, for example such payment is made after the end of the Collection Period immediately preceding the Interest Payment Date) or payments being paid to a Borrower in respect of a Flexible Drawing. Separately, a Payment Holiday may mean that the Issuer receives less in terms of payment on the underlying loans. This risk is addressed in respect of the Notes by the provision of liquidity from alternative sources as described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such liquidity features, or that such liquidity features will protect the Noteholders from all risk of loss.

***Subordination of other note classes may not protect Noteholders and Residual Certificateholders from all risk of loss***

The Class B Notes are subordinated in right of payment of interest and principal to the Class A Notes at all times; the Class C Notes are subordinated in right of payment of interest and principal to the Class A Notes and the Class B Notes at all times; the Class D Notes are subordinated in right of payment of interest and principal to the Class A Notes, the Class B Notes and the Class C Notes at all times; the Class E Notes are subordinated in right of payment of interest and principal to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes at all times; and the Class F Notes are subordinated in right of payment of principal to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes at all times.

Payments of principal in respect of all Classes of Notes will be subordinate to the payments of purchase consideration for any Flexible Drawings. The Principal Residual Certificates are subordinated in right of any payment to payments of principal on all of the Notes at all times. The Revenue Residual Certificates are subordinated in right of any payment to payments of interest on all of the Notes (other than the Class F Notes) at all times.

Details of the terms of the subordination of the Notes and the Residual Certificates are further set out in "*Cashflows – Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer*", "*Cashflows – Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer*" and "*Cashflows – Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*".

There is no assurance that these subordination rules will protect the holders of Notes from all risk of loss.

***There may be insufficient funds to repay the Noteholders and Residual Certificateholders due to any Revenue and Principal Deficiency***

If, on any Interest Payment Date, there are shortfalls in Available Revenue Receipts (after taking into account the availability of the Liquidity Reserve Actual Amount on such Interest Payment Date) relative to the amount required to pay (i) interest due on the Class A Notes, amounts ranking in priority to the payment of interest on the Class A Notes and amounts necessary to eliminate any debit balances on the Class A Principal Deficiency Sub-Ledger, (ii) interest due on the Class B Notes, amounts ranking in priority to the payment of interest on the Class B Notes and amounts necessary to eliminate any debit balances on the Class B Principal Deficiency Sub-Ledger, (iii) interest due on the Class C Notes, amounts ranking in priority to the payment of interest on the Class C Notes and amounts necessary to eliminate any debit balances on the Class C Principal Deficiency Sub-Ledger, (iv) interest due on the Class D Notes, amounts ranking in priority to the payment of interest on the Class D Notes and amounts necessary to eliminate any debit balances on the Class D Principal Deficiency Sub-Ledger and (v) interest due on the Class E Notes, amounts ranking in priority to the payment of interest on the Class E Notes and amounts necessary to eliminate any debit balances on the Class E Principal Deficiency Sub-Ledger and amounts necessary to eliminate any debit balances on the Class F Principal Deficiency Sub-Ledger, then the Issuer (or the Cash Manager on its behalf) may apply the Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments and will record the related debit on the relevant Principal Deficiency Ledger. If Available Principal Receipts (if any) are applied to cure a shortfall in Available Revenue Receipts relative to such payments, the consequences set out in the following paragraph may result.

Losses of (i) principal and (ii) Un-Capitalised Receipts on the Portfolio and application of any Principal Receipts to meet any items listed above will be recorded: (a) first, to the Principal Residual Certificate Principal Deficiency Sub-Ledger up to a maximum of the PRC Overcollateralisation Amount less the aggregate amount of (i) all Residual Payments that have been made in respect of Principal Residual Certificates since the Closing Date and (ii) any debit balance on the Principal Residual Certificate Principal Deficiency Ledger, subject always to a floor of zero; (b) second, to the Class F Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class F Notes then outstanding; (c) third, to the Class E Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class E Notes then outstanding; (d) fourth, to the Class D Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class D Notes then outstanding; (e) fifth, to the Class C Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class C Notes then outstanding; (f) sixth, to the Class B Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class B Notes then outstanding; and (g) seventh, to

the Class A Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Available Revenue Receipts (including amounts released from the Liquidity Reserve Ledger following repayment of the Class B Notes in full). Available Revenue Receipts will be applied in accordance with the Revenue Priority of Payments as a credit to the Principal Deficiency Ledger. Where a credit entry is made on the Principal Deficiency Ledger, such credit shall be applied to: first, the Class A Principal Deficiency Sub-Ledger, second, the Class B Principal Deficiency Sub-Ledger, third the Class C Principal Deficiency Sub-Ledger, fourth the Class D Principal Deficiency Sub-Ledger, fifth the Class E Principal Deficiency Sub-Ledger and sixth the Class F Principal Deficiency Sub-Ledger.

If there are insufficient funds available as a result of such income or principal deficiencies, then one or more of the following consequences may ensue:

- the interest and other net income of the Issuer may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes; and
- there may be insufficient funds to repay the Notes on or prior to the Final Maturity Date of such Class of Notes unless the other net income of the Issuer is sufficient, after making other payments to be made in priority thereto, to reduce to nil the balance on the Class A Principal Deficiency Sub-Ledger, Class B Principal Deficiency Sub-Ledger, Class C Principal Deficiency Sub-Ledger, Class D Principal Deficiency Sub-Ledger, Class E Principal Deficiency Sub-Ledger or Class F Principal Deficiency Sub-Ledger.

#### *Considerations relating to interest rate mismatches*

The Loans in the Portfolio are subject to variable interest rates while the Issuer's liabilities under the Notes are based on Three-Month Sterling LIBOR.

The Issuer's liabilities under the Notes are based on Three-Month Sterling LIBOR, while the Portfolio contains Loans that are subject to interest rates calculated by reference to either the London Interbank Offered Rate ("**LIBOR**"), the Bank of England's base rate or a variable interest rate that is based on the Bank of England's base rate.

Where a mortgage rate is calculated by reference to LIBOR, the calculations are only carried out periodically and may not be carried out at the same time as the calculations that determine the amount of interest payable on the Notes or the Revenue Residual Certificates. For more information please see the section titled "*The Loans – The Portfolio – Interest Rate Types*". In relation to a small number of Loans in the Portfolio to which a standard variable rate applies, the Servicer will be required to set the Issuer Standard Variable Rate at the same level as the standard variable rate which applies to similar Loans owned by the relevant Legal Title Holder outside the Portfolio.

For more information please see the section titled "*Summary of the Key Transaction Documents – Servicing Agreement – Setting of Interest Rates on the Loans*".

As at the date of this Prospectus, the Issuer has not entered into any interest rate swap or other hedging transaction, and as a result there is no hedge in respect of the risk of any variances in the interest charged on any Loans which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders, Certificateholders and the Secured Creditors.

"**Three-Month Sterling LIBOR**" means the London Interbank Offered Rate for three-month Sterling deposits as displayed on Reuters Screen page LIBOR01 or as otherwise determined in accordance with Condition 5.3 (*Rate of Interest*);

***Considerations relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption***

The yield to maturity on the Notes will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the holders of the Notes (as applicable), prepayments on the Loans resulting from a Borrower choosing to repay early, refinancing, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under any applicable insurance policies. Furthermore, if a Flexible Drawing has been granted in respect of a Loan and the conditions for such Loans being retained in the Portfolio are not met, then the Seller will be obliged to repurchase such Loan, which will have the same effect as a prepayment of such Loan. In addition, repurchases of Loans (for other reasons) required to be made under the Mortgage Sale Agreement in certain circumstances will have the same effect as a prepayment of such Loans. The yield to maturity of the Notes may be adversely affected by, among other things, a higher or lower than anticipated rate of prepayments on the Loans.

As part of the Seller's response to the Mortgages Market Study Final Report issued by the FCA (the "**MMS Final Report**") and a consultation paper (the "**Consultation**") in respect of "mortgage prisoners", the Seller proposes to offer to eligible Borrowers the ability to switch to a new mortgage made by a member of the Co-op Bank Group which, if accepted by an eligible Borrower, will be made on new borrower terms and conditions issued upon completion in relation to any new loan entered into with the relevant Borrower (the "**Internal Re-mortgages**"). If a Borrower re-mortgages on such terms, that Borrower's loan in the Portfolio will be redeemed. The interest element of such redemption will be applied as Available Revenue Receipts and the principal element of such redemption will be applied as Available Principal Receipts. The Seller intends to market to approximately 56% of the Borrowers in the Provisional Portfolio regarding their potential eligibility for an Internal Re-mortgage. If a large number of Borrowers re-mortgage in such a manner, the yield to maturity of the Notes may be adversely affected as a result of the prepayment of the loans of such Borrowers that are included in the Portfolio. For more information please see the section titled "*Further Information relating to the Regulation of Mortgages in the UK – Mortgage repossession – Mortgage Prisoners*".

The rate of prepayment of Loans is 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. In addition, if the Seller is required to repurchase a Loan or Loans under a Mortgage Account and its or their Related Security because, for example, one of the Loans does not comply with the Loan Warranties (or the conditions in relation to a Flexible Drawing have not been met) and this causes a material adverse effect on the value of that Loan, then the payment received by the Issuer will have the same effect as a prepayment of all the Loans under that Mortgage Account. 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.

Available Principal Receipts 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 (see "*Cashflows*"). All payments of principal in respect of the Notes will be made subordinate to amounts applied as purchase consideration for any Flexible Drawings.

At any time on or after the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Notes (the "**Clean-Up Call**"). Furthermore, as described in detail in the section entitled "*Early*

*Redemption of the Notes*", Loans may be sold pursuant to a Portfolio Option or Market Portfolio Sale and the Notes will be redeemed in full on the Interest Payment Date on which the Loans are sold. A number of factors may be relevant to the Portfolio Option Holder's decision whether or not to exercise the Portfolio Option at the relevant time and there is no obligation on the Portfolio Option Holder to exercise this Portfolio Option. In respect of this, see "*Weighted Average Lives 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.

The redemption of the notes pursuant to the Clean-Up Call, the exercise of the Portfolio Option, the exercise of a Market Portfolio Sale, or pursuant to a change in tax law may lead to a reduction in the average weighted life of the Notes.

Following the occurrence of an Event of Default, service of a Note Acceleration Notice and enforcement of the Security, there is no assurance that the Issuer will have sufficient funds to redeem the Notes in full.

Further, in some circumstances, an Interest-only Loan may be changed to a repayment or part-repayment loan in order to control or manage the repayment of capital shortfalls at the time of the final repayment. This may change the profile of the Loans forming part of the Portfolio as at the Closing Date and, in some cases where the maturity date of the Loan is extended and the Loan converted from interest-only to a repayment or part-repayment loan to allow a Borrower to manage repayments of capital, significantly extend the time it takes to recover the principal amounts in relation to a Loan.

*No additional sources of funds if Step-Up Margin applies*

In the event the Portfolio Option is not exercised, the Step-Up Margin will be payable in respect of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. There will, however, be no additional receipts or other sources of funds available to the Issuer at such time, nor is it expected that any of the sources of income available to the Issuer will be increased. In such circumstances the Issuer may not have sufficient funds to pay all amounts of interest and/or principal (as applicable) under the Notes (including any Step-Up Margin on the Notes).

## **2. RISKS RELATING TO THE UNDERLYING ASSETS**

*There may be risks associated with the fact that the Issuer has no legal title to the Loans and their Related Security which may adversely affect payments on the Notes*

The sale by the Seller to the Issuer of the English Loans and Northern Irish Loans and their Related Security (until legal title is conveyed) takes effect in equity only. The sale by the Seller to the Issuer of the Scottish Loans and their Related Security is given effect to by a Scots law governed declaration of trust by the Legal Title Holders and PFL (in its capacity as Legal Title Holder and as a former legal title holder of certain PFL Mortgages) by which the beneficial interest in such Scottish Loans and their Related Security is held on trust by the Legal Title Holders and PFL for the benefit of the Issuer (the "**Scottish Declaration of Trust**"). The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales. In each case, this means that legal title to the Loans and their Related Security in the Portfolio will remain with the Legal Title Holders until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*"). Until such time, the assignment by the Seller to the Issuer of the English Loans and Northern Irish Loans and their Related Security takes effect in equity only whereas in respect of the Scottish Loans and their Related Security held on trust pursuant to the Scottish Declaration of Trust by the Legal Title Holders and PFL in favour of the Issuer, the Issuer will hold a beneficial interest

only. The Issuer has not and will not apply to the Land Registry or Northern Ireland Land Registry or the Registry of Deeds, Belfast to register or record its equitable interest in the English Mortgages or Northern Irish Mortgages (as applicable) and may not in any event apply to the General Register of Sasines or Land Register of Scotland (as appropriate) (together the "**Registers of Scotland**") to register or record its beneficial interest in the Scottish Mortgages pursuant to the Scottish Declaration of Trust.

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security or the Properties secured thereby, a *bona fide* purchaser from the Legal Title Holders 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 would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the relevant Legal Title Holder of their contractual obligations or fraud, negligence or mistake on the part of the relevant Legal Title Holder or its personnel or agents.

Further, prior to the insolvency of the relevant Legal Title Holder, unless (i) notice of the assignment was given to a Borrower who is a creditor of the relevant Legal Title Holder in the context of the English Loans and Northern Irish Loans and their Related Security, and (ii) an assignation of the Scottish Loans and their Related Security is effected by the relevant Legal Title Holder to the Issuer and notice thereof is then given to a Borrower who is a creditor of the relevant Legal Title Holder, equitable or independent set-off rights may accrue in favour of the Borrower against his or her obligation to make payments to the relevant Legal Title Holder under the relevant Loan. These rights may occur in relation to transactions or deposits made between Borrowers and relevant Legal Title Holder and 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 or assignation is given to the Borrower, however, some rights of set-off (being those rights that are not connected with or related to the relevant Loan) may not arise after the date notice is given. For the purposes of this Prospectus, references herein to "set-off" shall be construed to include analogous rights in Scotland.

Until notice of the assignment or assignation is given to Borrowers, 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 relevant Legal Title Holder 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 relevant Legal Title Holder. However, the Legal Title Holders 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 assignation of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the relevant Legal Title Holder 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 such as a claim for damages under a Further Advance) will not be affected by that notice and will continue to exist.

For so long as the Issuer does not have legal title to the Loans and their Related Security, the Legal Title Holders will undertake for the benefit of the Issuer that they will lend their 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 and the Issuer will have power of attorney to act in the name of the Legal Title Holders.

*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 their Related Security and Northern Irish Loans and their Related Security will be given effect by an assignment and the sale of the Scottish Loans and their Related Security will be given effect under 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 Legal Title Holders until the occurrence of certain trigger events under the terms of the Mortgage Sale Agreement. As noted above, the Issuer will be subject to certain independent rights of set-off which have arisen prior to the date on which the relevant Borrower received notice of the sale to the Issuer. In addition, the rights of the Issuer may be subject to "transaction set-off", being the direct rights of the Borrowers against the Legal Title Holders, including rights of set-off which occur in relation to transactions made between the Borrowers and the Legal Title Holders which are connected to the relevant Loan, such as a failure to advance a Flexible Drawing where the Borrower has a right to demand a drawing under the relevant Mortgage Conditions of the Loan.

The relevant Borrower may set off any claim for damages arising from the relevant Legal Title Holder's breach of contract (such as a failure to advance additional funds under a Borrower's express right to demand a Flexible Drawing be made to them pursuant to the terms and conditions of the relevant Loan) against that Legal Title Holder's (and, as equitable assignee of or holder of the beneficial interest in the Loans and the Mortgages in the Portfolio, the Issuer's) claim for payment of principal and/or interest under the relevant Loan as and when it becomes due. These set-off claims will constitute transaction set-off, as described above. The right of a Borrower to set-off for transaction set-off is not limited or crystallised as a result of notice of the assignments or assignments to the Issuer being given by the relevant Borrower.

The amount of any such claim against a Legal Title Holder will, in many cases, be the cost to the Borrower of finding an alternative source of funds. The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses arising from the relevant Legal Title Holder's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees). Or, for example, a failure by the relevant Legal Title Holder to fund a Flexible Drawing could result in the Borrower setting-off against the relevant Legal Title Holder any additional cost of funding incurred in borrowing an amount equal to the relevant requested Flexible Drawing, which may result in the Issuer ultimately receiving a lower amount of Principal Receipts in respect of such Loan.

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

*Risks relating to Capital Costs*

Capital Costs will (where applicable in accordance with the terms and conditions of the Loans) be added to the balance of the relevant Loan and will be funded out of the Retained Principal Receipts



Ledger. Amounts standing to the credit of the Retained Principal Receipts Ledger not used for the funding of Capital Costs will be applied as Available Principal Receipts on each Interest Payment Date. On each Interest Payment Date, Available Principal Receipts will be used to replenish the Retained Principal Receipts Ledger up to the Retained Principal Required Amount, in priority to the redemption of the Notes, in accordance with the Pre-Acceleration Principal Priority of Payments. This may adversely affect the principal available for redemption of the Notes.

The Seller no longer permits Further Advances.

#### *Risks relating to Porting*

If a Borrower ports a Loan comprised in the Portfolio prior to the occurrence of a Perfection Event, such Loan will be deemed to be redeemed and the principal element of such amount will be applied as Available Principal Receipts and the interest element of such amount will be applied as Available Revenue Receipts on the Interest Payment Date immediately following the Collection Period in which the Loan was ported. The yield to maturity of the Notes may be adversely affected by such redemptions.

#### *Risks relating to Flexible Mortgages*

78.01% of the Loans in the Provisional Portfolio (by aggregate Current Balance) are Loans made by PFL and Verso where the Borrower may, subject to the satisfaction of certain conditions, be entitled to (i) cease to make or underpay scheduled monthly payments on that Borrower's Loan for a specified period of time (each a "**Payment Holiday**") or (ii) in the case of a loan advanced under a Verso Mortgage upon the terms of Verso's Flexible Mortgage Conditions 2001, request a further drawing of money under that Borrowers Loan which such Borrower is contractually permitted to demand in accordance with a revolving credit agreement relating to the Flexible Loan (each such payment being a "**Flexible Drawing**") (together, "**Flexible Loans**").

The terms of the Flexible Loans contain an "overpayment" provision under which the Borrower can make an overpayment. Overpayments of any amount may be made i.e. there are no minimum or maximum amounts, but subject to certain conditions, including for PFL Flexible Loans, an early repayment charge being payable on overpayments made by the Borrower in certain circumstances.

The terms of the Flexible Loans also contain certain conditions relating to Payment Holidays and, for Verso Flexible Loans, Flexible Drawings. The Servicer will consider any request for a Flexible Drawing or Payment Holiday by reference to the conditions specified in the Flexible Loans.

The conditions for Payment Holidays include (a) for PFL Flexible Loans: (i) the Borrower has to give at least 14 days prior written notice to the Servicer; (ii) prior to taking such Payment Holiday, six full monthly payments must have already been paid by the Borrower since the Flexible Loan was taken out; (iii) a Payment Holiday may only be taken by the Borrower up to 6 months in any 12 month period; and (iv) a Payment Holiday may only be taken up to amount standing to the credit of the Borrower's overpayment fund from time to time, being the amount of accumulated overpayments made by the Borrower less the total amount of scheduled monthly payments that the Borrower has ceased to make or underpay under Payment Holidays taken and any early repayment charges debited to the Borrower's account and (b) for Verso Flexible Loans, (i) the Borrower has to give at least 14 days' prior written notice to the Servicer; (ii) a Payment Holiday may be taken at any time after the Borrower has made the first six monthly payments in full under their fixed sum loan; (iii) there are no restrictions on the number or length of Payment Holidays; and (iv) a Payment Holiday may only be taken if and to the extent that (aa) this will not cause the balance outstanding under the revolving credit agreement to exceed the agreed credit limit under this and (bb) the Borrower is not at the time of drawdown in breach of the terms and conditions of the fixed sum loan or the revolving credit agreement.

The conditions for Flexible Drawings for Verso Flexible Loans include: (i) the Borrower has to give at least 5 days' prior written notice to the Servicer; (ii) the balance of the Loan after utilising the Flexible Drawing must not be greater than the agreed credit limit under the revolving credit agreement; (iii) the minimum amount of such drawdown must be at least £500 and; (iv) such drawdowns can be made at any time after the Borrower has made the first six monthly payments under their fixed sum loan, provided that the Borrower is not at the time of drawdown in breach of the terms and conditions of their fixed sum loan or the revolving credit agreement.

All Flexible Drawings are intended to be funded from amounts standing to the credit of the Deposit Account representing Principal Receipts (with such amounts being paid by the Cash Manager (on behalf of the Issuer) to the Seller as consideration for the purchase by the Issuer of such Flexible Drawing). Such amount will then be transferred from the Seller to the relevant Legal Title Holder in order for the relevant Legal Title Holder to advance the relevant amount to the relevant Borrower pursuant to such Flexible Drawing (the "**Flexible Drawing Amount**"). Any purchase by the Issuer of the Flexible Drawings will reduce the amount of the Principal Receipts the Issuer has available to it to make payments of principal on the Notes.

*There may be material changes to the Portfolio prior to the Closing Date Portfolio Selection Date*

The information in the section headed "*Characteristics of the Provisional Portfolio*" has been extracted from the systems of the Seller as at 30 April 2019 (the "**Portfolio Reference Date**"). The Provisional Portfolio as at the Portfolio Reference Date comprised of 3,244 Loans with an aggregate Current Balance of £331,611,310. The portfolio that will be sold to the Issuer on the Closing Date will be selected on the Closing Date Portfolio Selection Date from the Provisional Portfolio (the "**Closing Date Portfolio**"). The characteristics of the Closing Date Portfolio will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments and redemptions of Loans and the removal of any Loans from the Portfolio that do not comply with the Loan Warranties as at the Closing Date Portfolio Selection Date. Neither the Seller nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Portfolio between the Portfolio Reference Date and the Closing Date.

*The timing and amount of payments on the loans could be affected by various factors which may adversely affect the payments on the Notes*

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 (including with respect to any borrowers in Scotland as a result of any devolution of powers to the Scottish Parliament) 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. A valuation was obtained by the Originators on or about the time of origination of each Loan, and in certain circumstances, an updated valuation of a Property may be obtained or determined by the Seller, see "*The Loans – Characteristics of the Loans*".

In order to enforce a power of sale in respect of a mortgaged property, the relevant mortgagee or (in Scotland) heritable creditor must first obtain possession of the relevant property. Possession is usually obtained by way of a court order or decree. This can be a lengthy and costly process and will involve the mortgagee or heritable creditor assuming certain risks. In addition, once possession has been obtained, a reasonable period must be allowed for marketing the property, to discharge obligations to take reasonable care to obtain a proper price. If obtaining possession of properties and arranging a sale in such circumstances is lengthy or costly, the Issuer's ability to make payments on the Notes may be reduced. The Issuer's ability to make such payments may be reduced further if the powers of a mortgagee or heritable creditor in relation to obtaining possession of properties permitted by law, are restricted in the future.

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

Borrowers with a Loan subject to a variable rate of interest may be exposed to increased monthly payments if the related mortgage interest rate adjusts upward. This increase in Borrowers' monthly payments ultimately may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid 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, slower prepayment speeds and higher losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Notes.

*Declining property values may result in an adverse effect on payments on the 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, particularly in respect of those Loans which have a high LTV, 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. A downturn in the United Kingdom economy is likely to have a negative effect on the housing market. The fall in property prices resulting from a deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem any outstanding loan secured on such property. If the value of the Related 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.

*The portfolio may be subject to 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 Properties. This

may result in a loss being incurred upon sale of the 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 as at the Cut-off Date, see "*Characteristics of the Provisional Portfolio – Geographical Distribution*".

#### *Risks relating to Interest Only Loans*

Each Loan in the Portfolio may be repayable either on a capital repayment basis, an interest-only basis, or on a combination of capital repayment and interest payment basis (see "*The Loans – Characteristics of the Loans – Repayment terms*"). 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 Borrower is recommended to ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. The Seller does not verify or require proof that such repayment mechanism is in place and does not take security over any investment policies taken out by Borrowers.

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 Loan. Thus the ability of such a Borrower to repay an Interest-only Loan (as defined in "*The Loans – Characteristics of the Loans – Repayment terms*") at maturity without resorting to the sale of the underlying property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, PEPs, ISAs 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 ultimately occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured. In certain circumstances, an Interest-only Loan may be changed to a repayment or part-repayment loan in order to control or manage the repayment of capital shortfalls. This may change the profile of the Loans forming part of the Portfolio as at the Closing Date and in some cases significantly extend the time it takes to recover the principal amounts in relation to a Loan.

#### *Risks relating to Buy to Let Loans*

Some of the Loans in the Portfolio are Buy to Let Loans in relation to which the Borrowers' ability to service such Loans is likely to depend on the Borrowers' ability to lease the relevant mortgaged properties on appropriate terms. There can be no assurance 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 from such tenancy will be sufficient (whether or not there is any default of payment in rent) to provide the Borrower with sufficient income to meet the Borrower's interest and principal payment obligations in respect of the Loan. Upon enforcement of a Mortgage in respect of a mortgaged property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of the mortgaged property, in which case the Servicer 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 Servicer could realise upon enforcement of the Mortgage and the sale of the mortgaged property. In such a situation, amounts received in rent may not be sufficient to cover all amounts due in respect of the Loan.

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 Mortgage. Under Scots law, a receiver cannot be appointed under a standard security (the Scottish equivalent to a legal mortgage) and the only enforcement which may be carried

out under a standard security is a full enforcement of the security (i.e. it cannot be enforced selectively by, for instance, attaching to rental income). For further details on the enforcement of Scottish Mortgages which are Buy to Let Loans, see "*Private Housing (Tenancies) (Scotland) Act 2016*".

#### *Risks Relating to Non-conforming Loans*

The Portfolio will include Loans to Borrowers who may previously have been subject to a county court judgment or the Scottish or Northern Irish equivalent, an individual voluntary arrangement or bankruptcy order, are self-employed or otherwise considered by banks and building societies to be non-prime borrowers (such borrowers, "**Non-Conforming Borrowers**"). Loans made to Non-Conforming Borrowers may experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by mortgage loans made to prime borrowers and therefore carry a higher degree of risk.

Other than as specified herein, the Loans have been underwritten generally in accordance with the underwriting standards described in the section entitled "*The Loans*" and "*Characteristics of the Provisional Portfolio*". Those underwriting standards consider, among other things, a borrower's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the property. Those underwriting standards are used with a view, in part, to mitigate the risks in lending to Non-Conforming Borrowers.

There can be no assurance that these underwriting standards were applied in all cases or that Loans originated under different criteria have not been included in the Portfolio.

#### *Risks relating to Acquired Loans*

Certain loans in the Portfolio were originated by:

- (a) GMAC-RFC where legal and beneficial title to such mortgage loans was sold to MAS4 or MAS5 under mortgage sale agreements dated between 2002 and 2006. GMAC-RFC is not a subsidiary of nor is it otherwise connected to the Seller.
- (b) the Seller in respect of the Verso mortgage loans where legal title of such mortgage loans are held by MAS2 and the beneficial title to the mortgage loans were held by MAS1. Beneficial title of the relevant mortgage loans were transferred from MAS1 to the Seller on 30 September 2016. Verso was not a subsidiary nor was it otherwise connected to the Seller.
- (c) SPML where legal and beneficial title to such mortgage loans were sold to MAS2 under mortgage sale agreements dated between 1999 and 2004. SPML is not a subsidiary nor is it otherwise connected to the Seller.
- (d) KMCL where legal and beneficial title to such mortgage loans were sold to MAS6 under mortgage sale agreements dated between 2004 and 2005. KMCL is not a subsidiary nor is it otherwise connected to the Seller.

For further information please see the section titled "*The Loans – Characteristics of the Loans – Title to the Portfolio*".

Accordingly, in relation to such Loans neither the Seller nor any Legal Title Holder has direct knowledge as to whether a Loan Warranty which relates to the origination process of such acquired Loans is correct or not or it may not have actual knowledge of any relevant matters which give rise to a breach of warranty. The Seller has not undertaken its own independent investigation into such Loan Warranties. To the extent that a Loan Warranty is not expressed to be limited by reference to the

awareness of the Seller, the Seller will be liable to repurchase a Loan in relation to which there has been a breach of warranty even if the Seller is unaware of the breach.

*The Issuer may not receive the benefit of any claims made on the Insurance Policies which could adversely affect payments on the Notes*

The policies of the Seller in relation to buildings insurance are described under "*The Loans – Insurance Contracts – Buildings Insurance*". No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to redeem the Notes.

*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 sold to the Issuer on the Closing Date (see "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" for a summary of these).

Neither the Note Trustee, the Security Trustee, the Arranger, the Sole Lead Manager nor 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. Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is breached or proves to be materially untrue as at the Closing Date, which breach is not remedied in accordance with the Mortgage Sale Agreement and has a material adverse effect on the value of that Loan, will be to require the Seller to repurchase any relevant Loan and its Related Security.

There can be no assurance that the Seller will have the resources to honour its repurchase obligations under the Mortgage Sale Agreement.

### **3. OTHER RISKS RELATED TO CHANGES TO THE STRUCTURE AND DOCUMENTS**

*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 Most Senior Class of Notes then outstanding (or if no Notes remain outstanding, of not less than 25 per cent. in number of the Most Senior Class of Residual Certificates then outstanding) or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes (or if no Notes remain outstanding of the holders of the Most Senior Class of Residual Certificates) shall (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction) give a Note Acceleration Notice to the Issuer that (in the case of the Noteholders) all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued interest thereon or (in the case of the Certificateholders) all Residual Payments pursuant to the Residual Certificates are immediately due and payable, as applicable, as provided in the Trust Deed.

The Note Trustee may, at any time, at its discretion and without notice, take such proceedings (including lodging an appeal in any proceedings), actions or steps against the Issuer or any other party

to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes, the Residual Certificates or the Trust Deed (including the Conditions or the Residual Certificates Conditions) or any of the other Transaction Documents to which it is a party or, for as long as any Notes or Residual Certificates are outstanding, direct the Security Trustee to enforce the Security in accordance with the terms of the Deed of Charge. However the Note Trustee and the Security Trustee (as applicable) will not be bound to take any such proceedings, action or steps, and the Security Trustee will not be bound to act on any such direction or instruction, unless:

- (a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking Class or Classes of Noteholders or Certificateholders (including the provisions set out in Clause 13 (*Action, Proceedings and Indemnification*) and Schedule 5 (*Terms and Conditions of the Notes*) and Schedule 6 (*Terms and Conditions of the Residual Certificates*) to the Trust Deed), the Note Trustee shall have been so directed (or the Note Trustee shall have been directed to direct the Security Trustee) by an Extraordinary Resolution of the holder of the Most Senior Class of Notes or directed in writing by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if all of the Notes have been redeemed, it has been directed to do so by an Extraordinary Resolution of the Most Senior Class of Certificateholders or in writing by the holders of at least 25 per cent. in number of the Most Senior Class of Residual Certificates; and
- (b) in all cases, it and the Security Trustee (as applicable) shall have been indemnified and/or prefunded and/or secured to their respective satisfaction.

See further Condition 11 (*Enforcement*) and Residual Certificates Condition 10 (*Enforcement*).

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 which rank in priority to the payments of interest and principal on the Notes.

In relation to the undertakings to be given by the Seller to the Issuer in the Mortgage Sale Agreement in connection with (i) Article 6 of the Securitisation Regulation regarding the material net economic interest of at least 5 per cent. to be retained by the Seller and certain requirements as to providing investor information in connection with the Securitisation Regulation and (ii) the U.S. Risk Retention Rules (as described more fully in the section below headed "***Legal and Regulatory Risks – U.S. Risk Retention***") neither the Note Trustee nor the Security Trustee shall be under any obligation to monitor the compliance by the Seller with such undertakings or to investigate any matter which is the subject of such undertaking and shall not be under any obligation to take any action in relation to non-compliance with such undertaking unless and until the Note Trustee or Security Trustee has received actual written notice of the same from any party to a Relevant Document, in which event, the only obligation of the Note Trustee and Security Trustee shall be to notify the Issuer (who shall notify the Noteholders and the other Secured Creditors of the same) and, subject to each of the Note Trustee and Security Trustee being indemnified and/or secured and/or prefunded to its satisfaction, to take such further action as it is directed to take in connection with such non-compliance by an Extraordinary Resolution of the Most Senior Class.

***The Security Trustee and/or the Note Trustee may agree modifications to the transaction documents which may adversely affect the Noteholders' interests***

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

and the Residual Certificates Conditions provide that other than an Extraordinary Resolution in relation to a Basic Terms Modification, an Extraordinary Resolution or Ordinary Resolution passed at any meeting of the Most Senior Class of Noteholders shall be binding on all other Classes of Notes and the Certificateholders irrespective of the effect it has upon them. An Extraordinary Resolution or Ordinary Resolution passed by any Class of Noteholders which is not the Most Senior Class of Noteholders or the Certificateholders shall be ineffective unless sanctioned by an Extraordinary Resolution of the Most Senior Class or if the Note Trustee is of the opinion that it would not be materially prejudicial to the Most Senior Class.

The Conditions and the Residual Certificates Conditions also provide that (i) the Note Trustee may agree, from time to time and at any time, only with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents (and in respect of any modification in connection with the Deed Poll and the Portfolio Option granted therein, with the written consent of the Portfolio Option Holder), and without the consent or sanction of the Noteholders or Certificateholders or any other Secured Creditors and (ii) the Security Trustee will agree, upon the written instructions of the Note Trustee so long as there are any Notes or Residual Certificates outstanding, or, if there are no Notes or Residual Certificates outstanding may agree with the written consent of the Secured Creditors which are a party to the relevant Transaction Document, to: (a) any modification (other than a Basic Terms Modification) of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions of the Notes, the Residual Certificates Conditions or any of the Transaction Documents which are not, in the opinion of the Note Trustee, materially prejudicial to the interests of the holders of the Most Senior Class; or (b) any modification which, in the Note Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error, provided that the Note Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (a) exposing the Note Trustee or the Security Trustee, as applicable, to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights, powers, authorities, indemnification or protections of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or the Conditions and/or the Residual Certificates Conditions. The Note Trustee may also, without the consent of the Most Senior Class, determine that an Event of Default shall not, or shall not, subject to specified conditions, be treated as such. See Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) and Residual Certificates Condition 11 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*).

The Conditions also provide that the Issuer, Servicer and/or the Cash Manager (each a "**Requesting Party**") may, at any time during the term of the Trust Deed, request that the Note Trustee agree and/or (for as long as any Notes or Residual Certificates remain outstanding) direct the Security Trustee to agree amendments to or waivers in respect of any Transaction Documents, enter into new Transaction Documents or consent to any other relevant party doing so (as the case may be) to effect the closure of the Collection Accounts held with the Collection Account Bank, the appointment of an alternative bank (which may or may not be the Co-operative Bank p.l.c.) as the replacement collection account bank (the "**Replacement Collection Account Bank**"), the opening of one or more replacement collection accounts with the Replacement Collection Account Bank (which may each be used to collect direct debit payments in respect of the Seller and/or other payments in respect of loans not in the Portfolio) (each a "**Replacement Collection Account**"), the transfer of any monies from the Collection Account to a Replacement Collection Account and the entry into of all related documentation (including any declaration of trust over the Replacement Collection Account) (the "**Transaction Amendments**"), irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class, any Certificateholder, any other Secured Party or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification, and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall be obliged to enter into, or



(where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of such Transaction Amendments without the consent of the Noteholders or the Certificateholders or any other Secured Creditors if the Amendment Conditions as more fully set out in Condition 11.13 are satisfied.

Neither the Note Trustee nor the Security Trustee shall consider the interests of any other person in entering into (or, where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document, providing their consent in respect of) such Transaction Amendments. Each of them shall rely absolutely and without liability and without further investigation on any confirmation provided to it in connection with the Transaction Amendments and shall not monitor or investigate whether the Issuer, the Servicer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be) is acting in a commercially reasonable manner. Neither the Note Trustee nor the Security Trustee shall be responsible for any liability that may be incurred by any person by acting in accordance with the relevant provisions of the Transaction Documents based on any written notification or confirmation it receives from the Issuer, the Servicer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be).

There is no guarantee that any changes made to the Transaction Documents and/or the Conditions pursuant to the obligations imposed on the Note Trustee and the Security Trustee as described above, would not be prejudicial to Noteholders.

The Conditions also provide that the Issuer may, at any time during the term of the Trust Deed, require that the Note Trustee, in making any modification, requires that the Note Trustee directs the Security Trustee to make a modification (other than in respect of a Basic Terms Modification) to the Conditions or any other Transaction Document to which the Note Trustee or the Security Trustee is a party or in relation to which the Security Trustee holds security that the Issuer considers necessary (in summary):

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies, provided that the Issuer (or the Cash Manager on its behalf) certifies in writing to the Note Trustee and the Security Trustee (as applicable) that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria;
- (b) (I) for the purpose of complying with any changes in the requirements under (i) the Securitisation Regulation (the "**Securitisation Regulation**") after the Closing Date, including as a result of any changes as a result of the adoption of Regulatory Technical Standards in relation to the Securitisation Regulation, (ii) the CRR Amendment Regulation or (iii) any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect, or (II) for the purpose of complying with any changes in the requirements of the U.S. Risk Retention Rules, including as a result of any other U.S. risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;
- (c) for the purpose of enabling the Notes to be (or to remain) listed on Euronext Dublin, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;

- (d) for the purposes of enabling the Issuer or a Transaction Party to comply with certain sections of the U.S. Internal Revenue Code of 1986, agreements relating thereto, FATCA, and similar tax laws, provided that the Issuer (or the Cash Manager on its behalf) or the relevant Transaction Party, as applicable, provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;
- (e) for the purpose of changing the Relevant Screen Rate or the base rate that then applies in respect of the Notes to an alternative base rate (any such rate, which may include an alternative Relevant Screen Rate, an "**Alternative Base Rate**") and making such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer (or the Servicer on its behalf) to facilitate such change (a "**Base Rate Modification**").

See Condition 12.15 (*Additional Right of Modification*) of the Conditions for further details on the Base Rate Modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or, if no Notes are outstanding, Certificateholders representing at least 10 per cent. in number of the Most Senior Class of Residual Certificates have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or Residual Certificates may be held) within the notification period referred to above that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders or Certificateholders of the Most Senior Class of Notes or Most Senior Class of Residual Certificates then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) or Residual Certificates Condition 11 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*), as applicable.

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes or Certificateholder's holding of the Residual Certificates.

Where such Noteholders have not so notified the Principal Paying Agent or Issuer of such objection, or an Extraordinary Resolution of the Noteholders of the most senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*), then the Note Trustee shall be obliged to agree to the modification and such modification will be made.

When implementing any modification pursuant to Condition 12.15 (*Additional Right of Modification*) or Residual Certificates Condition 11.14 (*Additional Right of Modification*) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee or the Security Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and absolutely and without further investigation or liability on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Condition 12.15 (*Additional Right of Modification*) or Residual Certificates Condition 11.14 (*Additional Right of Modification*), as applicable, and shall not be liable to the Noteholders, the Certificateholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person.

The Note Trustee (or as the case may be, the Security Trustee) shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee (or as the case may be, the Security Trustee) would have the effect of (i) exposing the Note Trustee (or as the case may be, the Security

Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee (or as the case may be, the Security Trustee) in the Relevant Documents and/or the Conditions.

Any such modification shall be binding on all Noteholders. The full requirements in relation to the modifications discussed above are set out in Condition 12.15 (*Additional Right of Modification*) and Residual Certificates Condition 11.14 (*Additional Right of Modification*).

There can be no assurance that the effect of such modifications to the Relevant Documents will not adversely affect the interests of the holders of one or more or all Classes of Notes.

*There may be a conflict between Noteholders, Certificateholders and the other Secured Creditors which may result in a decision prevailing over the Noteholders' interests*

The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee to have regard to the interests of all Classes of Noteholders and Classes of Certificateholders equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee and the Security 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 holders of one or more Classes of Notes on one hand and the interests of the holders of one or more Classes of Notes on the other hand, then the Note Trustee is required to have regard only to the interests of the holders of the Class of Notes ranking in priority to other relevant Classes of Notes in the Priorities of Payment. If, in the Note Trustee's opinion, however, there is or may be a conflict between the interests of the Noteholders and the Certificateholders, then the Note Trustee is required to only to have regard to the interests of the Noteholders.

If, in the Note Trustee's opinion, however, there is or may be a conflict between the interests of the holders of the Revenue Residual Certificateholders on one hand and the interests of the Principal Residual Certificateholders on the other hand, then the Note Trustee is required to have regard only to the interests of the Principal Residual Certificateholders (for so long as there are any Principal Residual Certificates outstanding).

In having regard to the interests of the Noteholders or Certificateholders, the Security Trustee shall be entitled to rely solely on a confirmation from the Note Trustee as to whether, in the opinion of the Note Trustee, any matter, action or omission is or is not in the interests of or is or is not materially prejudicial to the interests of any Class of Noteholder or Class of Certificateholders.

Where the Security Trustee is required to have regard to the interests of any Secured Creditor (other than the Noteholders and the Certificateholders), the Security Trustee may consult with that Secured Creditor as to whether, in the opinion of that Secured Creditor, any matter, action or omission is or is not in the interests of, or is or is not materially prejudicial to the interests of that Secured Creditor.

In performing its duties as Security Trustee, the Security Trustee will take instructions from the Note Trustee for as long as any of the Notes or Residual Certificates remain outstanding and will not be required to take into account the interests of the Issuer or any Secured Creditor other than the Noteholders or the Certificateholders. If there are no Notes or Residual Certificates outstanding the Security Trustee, in performing its duties as Security Trustee, will take instructions from the Secured Creditors acting together.

If any of the Notes or Residual Certificates of any Class are held by or on behalf of or for the benefit of the Seller, any subsidiary or holding company of the Seller or any other subsidiary of any such holding company (the "**Relevant Persons**"), in each case as beneficial owner, those Notes or Residual

Certificates of such Class will (unless and until ceasing to be so held) be deemed not to remain outstanding. However:

1. in relation to a matter relating to a Basic Terms Modification, the Relevant Class of Notes or, as applicable, Relevant Class of Residual Certificates shall be deemed to remain outstanding;
2. if (i) all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons (the "**Relevant Class of Notes**") and (ii) there is no other Class of Notes or Residual Certificates ranking *pari passu* with, or junior to, the Relevant Class of Notes where one or more Relevant Persons are not the beneficial owners of all the Notes of such Class or all the Residual Certificates of such Class (as the case may be), the Notes held by or on behalf of or for the benefit of the Relevant Persons shall be deemed to remain outstanding; and
3. if (i) all of the Residual Certificates of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons (the "**Relevant Class of Residual Certificates**") and (ii) there is no other Class of Residual Certificates ranking *pari passu* with, or junior to, the Relevant Class of Residual Certificates where one or more Relevant Persons are not the beneficial owners of all the Residual Certificates, the Residual Certificates held by or on behalf of or for the benefit of the Relevant Persons shall be deemed to remain outstanding.

So long as any of the Notes or Residual Certificates are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed and the Deed of Charge.

In respect of the interests of the Certificateholders, the Trust Deed and the Deed of Charge contains provisions requiring the Note Trustee and the Security Trustee, except where expressly specified otherwise, not to have regard to the interests of the Certificateholders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee respectively, and requiring that the Note Trustee and the Security Trustee to, except where expressly provided otherwise, have regard only to the interest of the Noteholders for so long as there are any Notes outstanding.

***Significant investor(s) may have the influence to block or pass certain Noteholder resolutions which may adversely affect certain Noteholders' interests***

Significant concentrations of holdings of the Notes and the Residual Certificates may occur. In holding some or all of the Notes and Residual Certificates, any investor holding such concentrations may have a majority holding and therefore be able to pass, or hold a sufficient minority to block, Noteholder resolutions.

It is expected that on the Closing Date, one or more third party investors will acquire a majority holding in the Notes and the Residual Certificates, giving it a sufficient ability to pass or block Noteholder resolutions. Therefore, no assurance can be given that any subsequent Noteholder will have influence to block or pass certain Noteholder resolutions.

In addition, on the Closing Date, the Seller will retain either directly or through a majority-owned affiliate, at least 5 per cent. of each Class of Notes and Residual Certificates in accordance with the U.S. Risk Retention Rules and Article 6(1) of the Securitisation Regulation.

*Certain transaction parties may have material interests and this may conflict with the interests of a Noteholder, and the Noteholder may suffer loss as a result*

Certain of the Transaction Parties (e.g. the Arranger and Sole Lead Manager) and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial

banking transactions with, and may perform services for The Co-operative Bank p.l.c.. Merrill Lynch International is acting as Arranger and the Sole Lead Manager. Citibank, N.A., London Branch is acting as Principal Paying Agent, Agent Bank, Back-Up Cash Manager, the Account Bank and Registrar. Homeloan Management Limited is acting as Back-Up Servicer. U.S. Bank Trustees Limited is acting as Note Trustee and Security Trustee. Intertrust Management Limited is acting as Corporate Services Provider. WMS is acting as Servicer. PFL is acting as Third Party Collection Agent. Other parties to the transaction may also perform multiple roles, including The Co-operative Bank p.l.c., who will act as Cash Manager.

Those Transaction Parties and any of their respective affiliates acting in such capacities will have only the duties and responsibilities expressly agreed to by each such entity in the relevant capacity and will not, by reason of it or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. In no event shall such Transaction Parties or any of their respective affiliates be deemed to have any fiduciary obligations to any person by reason of their or any of their respective affiliates acting in any capacity.

In addition to the interests described in this Prospectus, the Arranger, the Sole Lead Manager and their related entities, associates, officers or employees (each a "**SLM Related Person**"):

- (a) may from time to time be a Noteholder or have other interests with respect to the Notes and they may also have interests relating to other arrangements with respect to a Noteholder or a Note, or any other Transaction Party;
- (b) may receive (and will not have to account to any person for) fees, brokerage and commissions or other benefits and act as principal with respect to any dealing with respect to any Notes;
- (c) may purchase all or some of the Notes and resell them in individually negotiated transactions with varying terms; and
- (d) may be or have been involved in a broad range of transactions including, without limitation, banking, lending, advisory, dealing in financial products, credit, derivative and liquidity transactions (which may include financing of the risk retention), investment management, corporate and investment banking and research in various capacities in respect of the Notes, the Issuer or any other Transaction Party or any related entity, both on its own account and for the account of other persons.

Prospective investors should be aware that:

1. each SLM Related Person in the course of its business (including in respect of interests described above) may act independently of any other SLM Related Person or Transaction Party;
2. to the maximum extent permitted by applicable law, the duties of each SLM Related Person in respect of the Notes are limited to the relevant contractual obligations set out in the Transaction Documents (if any) and, in particular, no advisory or fiduciary duty is owed to any person. No SLM Related Person shall have any obligation to account to the Issuer, any Transaction Party or any Noteholder for any profit as a result of any other business that it may conduct with either the Issuer or any Transaction Party;
3. an SLM Related Person may have or come into possession of information not contained in this Prospectus that may be relevant to any Noteholder or to any decision by a potential investor to acquire the Notes and which may or may not be publicly available to potential investors ("**Relevant Information**");

4. to the maximum extent permitted by applicable law no SLM Related Person is under any obligation to disclose any Relevant Information to (i) any other SLM Related Person; (ii) any Transaction Party; or (iii) any potential investor, and this Prospectus and any subsequent conduct by an SLM Related Person should not be construed as implying that such SLM Related Person is not in possession of such Relevant Information; and
5. each SLM Related Person may have various potential and actual conflicts of interest arising in the ordinary course of its businesses, including in respect of the interests described above. For example, an SLM Related Person's dealings with respect to a Note, the Issuer or a Transaction Party, may affect the value of such Note.

These interests may conflict with the interests of a Noteholder, and the Noteholder may suffer loss as a result. To the maximum extent permitted by applicable law, an SLM Related Person is not restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents, the Notes, or the interests described above and may otherwise continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Noteholders, and the SLM Related Persons may in so doing so act in its own commercial interests and without notice to, and without regard to, the interests of any such person.

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.

Conflicts of interest may also 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 roles or transactions for third parties.

#### 4. COUNTERPARTY RISKS

##### *Issuer Reliance on Other 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, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to an agreement (the "**Corporate Services Agreement**"), the Citi Account Bank has agreed to provide the Citi Deposit Account to the Issuer pursuant to a bank account agreement (the "**Citi Bank Account Agreement**"), the Servicer has agreed to service the Portfolio pursuant to a servicing agreement (the "**Servicing Agreement**"), the Back-Up Servicer has agreed to provide back-up services in relation to the Portfolio pursuant to a back-up servicing agreement (the "**Back-Up Servicing Agreement**"), the Cash Manager has agreed to provide cash management services pursuant to a cash management agreement (the "**Cash Management Agreement**"), the Back-Up Cash Manager has agreed to provide back-up cash management services pursuant to a back-up cash management agreement (the "**Back-Up Cash Management Agreement**") and replacement cash management agreement (the "**Replacement Cash Management Agreement**"), the Liquidation Agent has agreed to provide certain services in relation to the Market Portfolio Sale pursuant to a liquidation agent agreement (the "**Liquidation Agent Agreement**") and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide

services with respect to the Notes pursuant to an agency agreement (the "**Agency 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 and/or are removed without a sufficiently experienced substitute or any substitute being appointed in their place, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

#### *The Servicer*

Western Mortgage Services Limited ("**WMS**") will be appointed by the Issuer as Servicer to service the Loans. The Servicer will be entitled to transfer all or a portion of the servicing services under the Servicing Agreement to one or more counterparties, subject to the terms set out in the Servicing Agreement including re-transfer to the Seller of the servicing of certain Loans from time to time where the Borrower under such Loan is or becomes vulnerable or where the situation otherwise merits sensitive handling. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any transferee.

If the Servicer breaches the terms of the Servicing Agreement, then (prior to the delivery of a Note Acceleration Notice) the Issuer or (after delivery of a Note Acceleration Notice) the Security Trustee will be entitled to terminate the appointment of the Servicer in accordance with the terms of the Servicing Agreement and the Issuer and the Seller shall use their reasonable endeavours to appoint a new servicer in its place whose appointment is approved by the Security Trustee.

Whilst the Back-Up Servicer is in place, there can be no assurance it will be able to commence servicing in a timely manner following any removal of the Servicer (in particular if there is a default of the Servicer shortly after the Closing Date and the Back-Up Servicer has not had sufficient time to undertake a full review of the requirements).

Following any removal of the Servicer there is no guarantee that a substitute servicer would be found, which could delay collection of the payments on the Loans and ultimately could adversely affect payments on the Notes.

There can be no assurance that a substitute servicer with sufficient experience of servicing the Loans would be found who would be willing and able to service the Loans on the terms, or substantially similar terms, set out in the Servicing Agreement. Further, it may be that the terms on which a substitute servicer may be appointed are substantially different from those set out in the Servicing Agreement and the terms may be such that the Noteholders may be adversely affected. In addition, as described below, any substitute servicer will be required, *inter alia*, to be authorised under the Financial Services and Markets Act 2000 (the "**FSMA**") in order to service Loans that constitute Regulated Mortgage Contracts under the FSMA.

The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

The Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion. See further "*Summary of the Key Transaction Documents – Servicing Agreement*".

#### *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 Collection Account Bank and the Citi 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 FCA under the FSMA and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by DBRS and S&P. 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 ratings 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. In addition, it may not be possible to find an entity with the ratings prescribed in the relevant Transaction Document who would be willing to act in the role. This may reduce amounts available to the Issuer to make payments of interest on the Notes and/or the ratings of the Notes which are rated.

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 (although this will not apply to mandatory provisions of law), in order to avoid the need for a replacement entity to be appointed. The consent of Noteholders or Certificateholders may not be required and in certain circumstances will not be required in relation to such amendments and/or waivers in each case, as stipulated in the Conditions or (as applicable) the Residual Certificates Conditions.

## **5. MACRO-ECONOMIC AND MARKET RISKS**

### ***Lack of liquidity in the secondary market for the Notes may 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 exist as at the date of this Prospectus or in the future, in particular as a result of any restructuring of sovereign debt by countries in the Eurozone. None of the Notes have been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale*" and "*Transfer Restrictions and Investor Representations*". To the extent that a secondary market exists, it may not continue for the life of the Notes or it may not provide Noteholders with liquidity of investment with the result that a Noteholder may not be able to find a buyer to buy its notes readily or at prices that will enable the Noteholder to realise a desired yield. Any investor in the Notes must be prepared to hold their Notes until their Final Maturity Date.

The secondary market for mortgage-backed securities, similar to the Notes, has at times experienced limited liquidity resulting from reduced investor demand for such securities. Limited liquidity in the secondary market may have an 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 requirements of limited categories of investors.

Whilst central bank schemes such as the Bank of England's Sterling Monetary Framework, the Funding for Lending Scheme and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, further restrictions in respect of the relevant eligibility criteria for eligible collateral in the future are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities.

### ***Reduction or withdrawal of the ratings assigned to the Notes after the issue date may affect the market value of the Notes***

The ratings address the likelihood of full and timely payment to the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders or Class E Noteholders (as applicable) of all



payments of interest on each Interest Payment Date and ultimate payment of principal on the Final Maturity Date of the Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes (as applicable). The Residual Certificates and Class F Notes will not be rated by the Rating Agencies.

The expected ratings of the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes to be assigned on the Closing 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 judgement, circumstances (including without limitation, a reduction in the credit rating of the Citi Account Bank and/or the Collection Account Bank, the rating of the Back-Up Cash Manager or the servicer rating of the Back-Up Servicer) in the future so warrant. See also "*Transaction Overview -Triggers Tables*" below.

At any time, any Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Notes may be lowered.

Rating agencies other than the Rating Agencies could seek to rate the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the such Class of Notes by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value of such Notes. For the avoidance of doubt and unless the context otherwise requires, any reference to "**ratings**" or "**rating**" in this Prospectus is to the ratings assigned by the specified Rating Agencies only.

As highlighted above, the ratings assigned to the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes by each Rating Agency are based on, amongst other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Back-Up Servicer, the Back-Up Cash Manager and the Citi Account Bank. In the event one or more of these transaction parties are downgraded, there can be no assurance that a replacement to that counterparty will be found which has the ratings required to maintain the then current ratings of the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes. If a replacement counterparty with the requisite ratings cannot be found, this is likely to have an adverse impact on the rating of the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes (as applicable) and as a consequence, the resale price of such Notes in the market and the prima facie eligibility of such Notes for use in certain liquidity schemes established by the European Central Bank and the Bank of England.

Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by DBRS and S&P, which are credit rating agencies established in the European Community and registered under the CRA Regulation.

### ***Market Disruption***

The Rates of Interest in respect of the Notes for the relevant Interest Period shall be the aggregate of (a) prior to the Step-Up Date, the Reference Rate plus the Relevant Margin or (b) from (and including) the Step-Up Date, the Reference Rate plus the Step-Up Margin. Condition 5.3 (*Rate of Interest*) contains provisions for the calculation of such underlying rates, in respect of the Notes, based on rates given by various market information sources and Condition 5.3 (*Rate of Interest*) contains an alternative method of calculating the underlying rate should any of those market information sources, including the Relevant Screen Rate, be unavailable. The market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading or matters such as currency changes.

***Changes or uncertainty in respect of LIBOR may affect the value or payment of interest under the Notes***

The London Interbank Offered Rate ("**LIBOR**") and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted.

The administration of LIBOR and of certain other specified benchmarks has been a regulated activity in the UK since 2013. The Benchmarks Regulation (Regulation (EU) 2016/1011) (the "**Benchmarks Regulation**") which came into force 1 January 2018 imposes new requirements on the administrators and users of, and contributors to, benchmarks used in the EU. In 2014, ICE Benchmark Administration Limited ("**IBA**") replaced the British Bankers' Association as the administrator of LIBOR. Investors should be aware that: (a) actions taken by IBA as the administrator of LIBOR, or further action taken by regulators or law enforcement agencies may affect LIBOR (and/or the determination thereof) in unknown ways, which could adversely affect the value and liquidity of the Notes; (b) amendments to the UK regulatory framework to reflect the requirements of the Benchmarks Regulation may affect the determination of LIBOR; and (c) reforms to the determination of LIBOR could have the effect of a sudden or prolonged increase or decrease in LIBOR and may have an adverse impact on the value of the Notes and the payment of interest thereunder.

On 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR, on the current basis, cannot and will not be guaranteed after 2021. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including, but not limited to, Floating Rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

These reforms and other pressures may cause one or more interest rate benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark; and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes, as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Notes.

Further, any uncertainty with respect to LIBOR (including in respect of the FCA Announcement) may (i) affect the ability of the Borrowers to pay amounts owed under Loans that are subject to interest rates calculated by reference to LIBOR (as to which please see the section titled "*The Loans – The Portfolio – Interest Rate Types*" below) and (ii) impact upon the determination of the rate of interest payable on Loans that are subject to interest rates calculated by reference to LIBOR. Such uncertainty

and any Conditions changes to interest rates on Loans that reference LIBOR may adversely affect the interest payable on some of the underlying Loans.

While the Mortgage Conditions of Platform Funding Limited and GMAC-RFC allow for LIBOR to be substituted in certain circumstances, there are no explicit equivalent provisions in the Mortgage Conditions relating to the relevant mortgages originated by KMCL, SPML and Verso. For KMCL, SPML and Verso Mortgages, in cases where the Mortgage Conditions reference LIBOR, there is no facility for a fall-back reference rate to apply in absence of LIBOR and there are likewise no variation rights which would allow the Mortgage Conditions to be changed to this effect. Due to the current uncertainties around the discontinuance of LIBOR and the proposed transition to SONIA, UK Finance is liaising with the FCA and Bank of England on behalf of the mortgage industry and the Seller is a member of UK Finance's LIBOR Working Group.

Based on the foregoing, prospective investors should in particular be aware that:

- (a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including LIBOR) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be; and
- (b) if LIBOR is discontinued or is otherwise unavailable, then:
  - (i) the rate of interest on the Loans may be determined for a period by any applicable fall-back provisions under the Mortgage Conditions, although such provisions may not operate as intended (depending on market circumstances and the availability of rates information at the time); and
  - (ii) in circumstances where an amendment, as described in paragraph (c) below, has not been made at the relevant time, the rate of interest on the Notes will be determined for a period by the fall-back provisions provided for under Condition 5.3 (*Rate of Interest*) of the Conditions, although such provisions, being dependent in part upon the provision by reference banks of offered quotations for the LIBOR rate, may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may in certain circumstances result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available;
- (c) while an amendment may be made under Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) of the Conditions to change the base rate on the floating rate Notes from LIBOR to an alternative base rate under certain circumstances broadly related to LIBOR dysfunction or discontinuation and subject to certain conditions being satisfied, including with respect to Noteholder consent in part (in this regard, please also refer to the risk factor above entitled "*The Note Trustee and the Security Trustee are not obliged to act in certain circumstances*"), there can be no assurance that any such amendment will be made or, if made, that it (i) will fully or effectively mitigate all relevant interest rate risks or result in an equivalent methodology for determining the interest rates on the floating rate Notes or (ii) will be made prior to any date on which any of the risks described in this risk factor may become relevant (in this regard, please also refer to the risk factor above entitled "*The Note Trustee and the Security Trustee are not obliged to act in certain circumstances*").

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between the Loans and the Notes due to applicable fall-back provisions or other matters and the effects of this are uncertain but could include a reduction in the amounts available to the Issuer to meet its payment obligations in respect of the Notes.

Moreover, any of the above matters (including an amendment to change the base rate as described in paragraph (c) above) or any other significant change to the setting or existence of LIBOR could affect the ability of the Issuer to meet its obligations under the Notes and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. Changes in the manner of administration of LIBOR could result in adjustment to the Conditions other consequences in relation to the floating rate Notes. No assurance may be provided that relevant changes will not occur with respect to LIBOR or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Notes.

***Rule 17g-5 – unsolicited ratings and the selection and qualification of rating agencies rating the Notes may impact the value of the Notes***

Certain nationally recognised statistical rating organisations, as defined in Section 3(a)(62) of the Exchange Act, that the Issuer has not engaged to rate any Class of Notes may nevertheless issue unsolicited credit ratings on one or more Classes of Notes, in each case relying on information they receive pursuant to Rule 17g-5 under the Exchange Act ("**Rule 17g-5**"), or otherwise. If any such unsolicited ratings are issued with respect to any particular Class of Notes, there can be no assurance that they will not be lower than the rating(s) assigned by any of the Rating Agencies engaged by the Issuer to rate that Class of Notes on the Closing Date. The issuance of any such unsolicited ratings with respect to any particular Class of Notes that are lower than the rating(s) assigned to it by any of the engaged rating agencies on the Closing Date may negatively impact the liquidity, market value and regulatory characteristics of that Class of Notes. Although unsolicited ratings may be issued by any rating agency, a rating agency might be more likely to issue an unsolicited rating if it were not selected after having provided preliminary feedback to the Issuer.

The Issuer selected DBRS and S&P to rate each Class of Notes. There can be no assurance that, had the Issuer selected other rating agencies to rate the Notes, the ratings that such rating agencies would have ultimately assigned to those Classes of Notes would have been equivalent to those assigned by DBRS and S&P. Neither the Issuer nor any other person or entity will have any duty to notify Noteholders if any other nationally recognised statistical rating organisation issues, or delivers notice of its intention to issue, unsolicited ratings on one or more Classes of the Notes after the Closing Date. Furthermore, the SEC may determine that one or more of the rating agencies engaged by the Issuer no longer qualifies as a nationally recognized statistical rating organisation, or is no longer qualified to rate the certificates, and that determination may have an adverse effect on the liquidity, market value and regulatory characteristics of the Notes.

***Risks connected with the political and economic decision of EU and Eurozone countries and the United Kingdom leaving the European Union may affect the performance of the securitisation***

On 23 June 2016 the United Kingdom voted to leave the European Union in a referendum (the "**Brexit Vote**") and on 29 March 2017 the United Kingdom gave formal notice (the "**Article 50 Notice**") under Article 50 of the Treaty on European Union ("**Article 50**") of its intention to leave the European Union.

This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the European Union (the "**article 50 withdrawal agreement**"). As part of those negotiations, a transitional period has been agreed in principle which would extend the application of European Union law, and provide for continuing access to the European Union single market, until the end of 2020 and probably longer.

The article 50 withdrawal agreement has not yet been ratified by the UK or the European Union. The parties have agreed to an extended time line which allows for ratification to take place any time prior to 31 October 2019. To the extent ratification does take place ahead of 31 October 2019, the UK

would leave on the first date of the month following ratification. However, it remains uncertain whether the article 50 withdrawal agreement, or any alternative agreement, will be finalised and ratified by the UK and EU ahead of the deadline. If that deadline of 31 October 2019 is not met, unless the negotiation period is further extended or the Article 50 notification revoked, the Treaty on the European Union and the Treaty on the Functioning of the EU will cease to apply to the UK and the UK will lose access to the EU single market. While continuing to discuss the article 50 withdrawal agreement and political declaration, the UK Government has commenced preparations for a "hard" Brexit (or "no-deal" Brexit) to minimise the risks for firms and businesses associated with an exit with no transitional agreement. This has included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book after any exit without a transitional period.

Due to the ongoing political uncertainty as regards the terms of the UK's withdrawal from the European Union and the structure of the future relationship, it is not possible to determine the precise impact on general economic conditions in the UK, including the performance of the UK housing market. It is also not possible to determine the precise impact that these matters will have on the business of the Issuer (including the performance of the underlying loans), any other party to the transaction documents and/or any borrower in respect of the underlying loans, or on the regulatory position of any such entity or of the transactions contemplated by the transaction documents under European Union regulation or more generally.

No assurance can be given that any of the matters outlined above would not adversely affect the ability of the Issuer to satisfy its obligations under the notes and/or the market value and/or liquidity of the notes in the secondary market.

In addition to the economic and market uncertainty this brings (see "*Market Uncertainty*" below) there are a number of potential risks for the Transaction that Noteholders should consider:

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

The BCBS approved a series of significant changes to the Basel II regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as "**Basel III**"). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**").

The Basel III reforms are being implemented in the European Economic Area ("**EEA**") through the Capital Requirements Regulation and the Capital Requirements Directive (together "**CRD IV**"). CRD IV became effective in the UK and other EU member states on 1 January 2014. The regulation establishes a single set of harmonised prudential rules which apply directly to all credit institutions and investment firms in the EEA, with the directive containing less prescriptive provisions which are required to be transposed into national law. Full implementation began from 1 January 2014, with particular elements being phased in over a period of time, with full implementation by 2019.

As CRD IV allows certain national discretions, the final rules and the timetable for their implementation in each jurisdiction may be subject to national variation. The BCBS has also published certain proposed revisions to the securitisation framework, including changes to the approaches to calculating risk weights and reducing the risk weight floor for senior exposures from 15% to 10%.

In December 2017, the BCBS published a package of proposals to update Basel III (referred to as Basel IV). Basel IV proposes to amend the way in which institutions approach the calculation of their risk weighted assets as well as setting regulatory capital floors. The BCBS currently proposes a nine-year implementation timetable for Basel IV.

As implementation of any changes to the Basel framework requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset backed securities, may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participation jurisdiction initiatives, such as Solvency II framework Europe.

The changes under CRD IV and Basel III as described above 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 relevant framework and, as a result, 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 framework (including the 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.

## **7. LEGAL AND REGULATORY RISKS**

### ***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, see "*Summary of the Key Transaction Documents – Deed of Charge*"). 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.

The Insolvency Act 1986 allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, it should be applicable to the floating charge created by the Issuer and granted by way of security to the Security Trustee. However, as this is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of the Issuer, the Issuer would be subject to administration if it became insolvent which may lead to the ability to realise the Security being delayed and/or the value of the Security being impaired.

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 recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the 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.

While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws and, if applicable, Scottish insolvency laws).

### ***Fixed charges may take effect under English law and Northern Irish law as floating charges***

The law in England and Wales and Northern Ireland relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law and Northern Irish law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property (although it should be noted that there is no equivalent concept of recharacterisation of fixed security as floating charges under Scots law). If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets.

The interest of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Security. Section 250 of the Enterprise Act 2002 abolishes Crown Preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but section 176A of the Insolvency Act 1986 requires a "**prescribed part**" (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

### ***Liquidation expenses***

Prior to the House of Lords' decision in the case of *Re Leyland Daf* [2004] UKHL 9 ("**Re Leyland Daf**"), the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act 1986, and article 150ZA of the Insolvency (Northern Ireland) Order 1989, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result costs and expenses of a liquidation 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 the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to 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 *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

### ***Banking Act 2009 and the European Union Bank Recovery and Resolution Directive***

The UK Banking Act 2009 (as amended, the "**Banking Act**") includes provision for a special resolution regime pursuant to which specified UK authorities have power to apply certain tools (by way of instrument or order) to deal with the failure (or the likely failure) of a UK bank or building society. The Banking Act has been amended a number of times to ensure that it complies with the EU's Bank Recovery and Resolution Directive (2014/59/EU) (the "**BRRD**"). The BRRD was published in the Official Journal of the EU on 12 June 2014 and largely came into force on 2 July 2014. Amongst other things, the BRRD provides for the introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities (including a bail-in tool)

and for special rules for cross-border groups. A further package of reforms which included amendments to the BRRD has been published and it is expected to come into force in June 2019.

Provision has been made for certain tools to be used in respect of a wider range of UK entities, including banks, investment firms and certain banking group companies.

The tools currently available under the Banking Act 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 special insolvency procedures which may be commenced by the UK authorities. It is possible that these extended tools could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made. 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. Further, UK authorities have a wide discretion in exercising their powers under the special resolution regime, including modifying or setting aside any Act of Parliament by order of HM Treasury to facilitate its Banking Act objectives.

Although no instrument or order has been made under the provisions of the Banking Act in respect of a relevant transaction entity, as described above, such instrument order or the bail-in power may if used (amongst other things) affect the ability of other entities (such as the Co-operative Bank p.l.c. and the Collection Account Bank) to satisfy their obligations under the Relevant Documents and/or result in modifications to such documents, which may in turn affect the Issuer's ability to meet its obligations in respect of the Notes. For example, certain of the Seller's liabilities (including its undertaking to make whole the Issuer in certain circumstances) might be bailed-in in whole or part.

For example, the Seller is a "banking group company" for the purposes of the Banking Act (although such status may change, for example, following the subsequent sale of the Servicer) and consequently certain of its liabilities towards other persons, including the Issuer, may therefore be vulnerable to bail-in. Among other things, the Seller' undertakings to make whole the Issuer in certain circumstances might therefore be bailed-in in whole or part, and this may in turn affect the Issuer's ability to meet its obligations in respect of the Notes.

The Issuer is not part of the Co-operative Bank p.l.c.'s consolidation group and, moreover, is a securitisation company and therefore not a "banking group company" for the purposes of the UK Banking Act 2009. Therefore such tools could not be directly applied to the Issuer and so, for example, the Notes would not directly become subject to a bail in under the Banking Act (or other legislation implementing the BRRD). Nonetheless there is the risk that such tools may be applied to other entities in a manner that indirectly affects the ability of the Issuer to meet its obligations in respect of the Notes, as discussed above.

### ***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 should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) 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 Notes under any applicable risk-based capital or similar rules.

### ***The proposed financial transactions tax ("FTT")***

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France,



Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

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

In the event that any withholding or deduction for or on account of any taxes is 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 reduced amounts the Noteholders will receive as a result of such withholding or deduction. However, in such circumstances, the Issuer will, in accordance with Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) of the Notes, appoint a Paying Agent in another jurisdiction or use reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction provided that the same would avoid such an imposition. If the Issuer is unable to arrange such an appointment or substitution then the Issuer may, in accordance with Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) of the Notes, redeem all (but not some only) of any affected Class of the Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption.

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 within the meaning of section 1005 of the Income Tax Act 2007. Euronext Dublin is a recognised stock exchange for such purposes and the Notes will be treated as listed on Euronext Dublin if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on Euronext Dublin. However there can be no assurance that the law in this area will not change during the lifetime of the Notes. The applicability of any withholding or deduction for or on account of United Kingdom taxes is discussed further under "*United Kingdom Taxation*".

#### ***UK tax treatment of the Issuer***

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as set out in the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (as amended) (the "TSC Regulations")), and, as such, should be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Tax Regulations). However, if the Issuer does not in fact satisfy the conditions of the Securitisation Tax Regulations (or subsequently

ceases to satisfy those conditions), then the Issuer may be subject to tax liabilities not contemplated in the cash flows for the transaction described in this Prospectus. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest and/or principal than expected.

#### ***Certain Notes may be characterized as equity rather than debt for U.S. federal income tax purposes***

The characterisation of a security as debt or equity for U.S. federal income tax purposes depends on many factors, including the form of the security, its terms and the debt-to-equity ratio of the issuer. The Issuer intends to treat the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes as debt for U.S. federal income tax purposes. However, the U.S. Internal Revenue Service (the "IRS") could assert that one or more classes of such Notes are equity in the Issuer for U.S. federal income tax purposes. U.S. Holders (as defined below) of Notes treated as equity for U.S. federal income tax purposes may be subject to adverse U.S. federal income tax consequences. See below under "*Risks related to Notes characterized as equity for U.S. federal income tax purposes*" and "*Certain United States Federal Income Tax Considerations*".

#### ***Risks related to Notes characterized as equity for U.S. federal income tax purposes***

The Issuer is incorporated as a public limited company under the laws of England and Wales. It is a special purpose company and will be mostly passive. See "*The Issuer*". Under current U.S. federal income tax law, the Issuer is treated as an association that is taxable as a corporation for U.S. federal income tax purposes. As discussed above under "*Certain Notes may be characterized as equity rather than debt for U.S. federal income tax purposes*", there is a risk that the IRS could assert that other classes of Notes should be treated as an equity interest in the Issuer (and, potentially as an interest in a passive foreign investment company ("PFIC") or a controlled foreign corporation ("CFC")) rather than as debt for U.S. federal income tax purposes. A Note that is treated as an equity interest in a PFIC or CFC rather than a debt instrument for U.S. federal income tax purposes would have certain timing and character consequences to a U.S. Holder (as defined below) and could require certain elections (accompanied by certain disclosures) that would need to be made shortly after acquisition to mitigate potentially adverse U.S. federal income tax consequences. The Issuer does not intend to provide the necessary information required in order to make those elections (or disclosures). See "*Certain United States Federal Income Tax Considerations*".

#### ***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 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.

#### ***Securitisation Regulation***

Securitisation Regulation applies in general (subject to certain grandfathering) from 1 January 2019, although some legislative measures necessary for the full implementation of the new regime have not yet been finalised and compliance with certain requirements is subject to the application of transitional provisions.

The Securitisation Regulation establishes certain common rules for all securitisations that fall within its scope (including recast of pre-1 January 2019 risk retention and investor due diligence regimes).

The Securitisation Regulation has direct effect in member states of the EU and is to be implemented in due course in other countries in the EEA.

The Securitisation Regulation requirements apply to the Notes. As such, certain European-regulated institutional investors, including credit institutions, investment firms, authorised alternative investment fund managers, insurance and reinsurance undertakings, certain undertakings for the collective investment of transferable securities (UCITs) and certain regulated pension funds (institutions for occupational retirement provision), are required to comply under Article 5 with certain due diligence requirements prior to holding a securitisation position and on an ongoing basis while holding the position. Among other things, prior to holding a securitisation position, such institutional investors are required to verify certain matters with respect to compliance of the relevant transaction parties with credit granting standards, risk retention and transparency requirements. If the relevant European-regulated institutional investor elects to acquire or holds the Notes having failed to comply with one or more of these requirements, this may result in the imposition of a penal capital charge on the Notes for institutional investors subject to regulatory capital requirements or a requirement to take a corrective action, in the case of certain type of regulated fund investors. Aspects of the requirements of the Securitisation Regulation and what is or will be required to demonstrate compliance to national regulators remain unclear. Prospective investors should therefore make themselves aware of requirements applicable to them and are required to independently assess and determine the sufficiency of the information described in this Prospectus generally for the purposes of complying with such due diligence requirements under the Securitisation Regulation and any corresponding national measures which may be relevant.

Various parties to the securitisation transaction described in this Prospectus (including the Seller and the Issuer) are also subject to the requirements of the Securitisation Regulation. However, there is at present some uncertainty in relation to some of these requirements and what is or will be required to demonstrate compliance to national regulators, including in particular with regard to the transparency obligations imposed under Article 7 of the Securitisation Regulation, the application of the transitional provisions in connection with such Article and the final position on the new disclosure templates to be applied under the new technical standards which are now expected to be finalised towards the end of 2019. Prospective investors are referred to the sections entitled *Certain Regulatory Disclosures* for further details. Until the final position on the outstanding technical standards and related guidance is known, there can be no assurance that the information in this Prospectus or to be made available to investors in accordance with Article 7 of the Securitisation Regulation will be adequate for any prospective institutional investors to comply with their due diligence obligations under the Securitisation Regulation.

Prospective investors in the Notes are responsible for analysing their own regulatory position, and should consult their own advisers in this respect.

The Issuer is the “designated entity” for the purposes of Article 7 of the Securitisation Regulation and may be sanctioned to the extent it does not comply with any of the requirements of Article 7 of the Securitisation Regulation, which may affect its ability to make payments on the Notes.

### ***Volcker Rule***

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), which was signed into law on 21 July 2010, imposed a new regulatory framework over the U.S. financial services industry and the U.S. consumer credit markets in general. On 10 December 2013, U.S. regulators adopted final regulations to implement Section 619 of the Dodd-Frank Act. Section 619 of the Dodd-Frank Act added a new Section 13 to the Bank Holding Company Act of 1956, commonly referred to as the Volcker Rule.

The Volcker Rule generally prohibits "banking entities" (broadly defined to include U.S. banks, bank holding companies and foreign banking organisations, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in, or sponsoring, a "covered fund" and (iii) entering into certain relationships with such funds, subject to certain exceptions and exclusions. See "*Certain Regulatory Disclosures*" for information on the Issuer's status under the Volcker Rule. Any prospective investor in the Notes, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult with its own legal advisers regarding such matters and other effects of the Volcker Rule.

### ***U.S. Risk Retention***

Pursuant to Section 15G of the Exchange Act as added by Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and implemented by final rules promulgated thereunder (the "**U.S. Risk Retention Rules**"), the "sponsor" of a "securitisation transaction" is required to retain at least 5 per cent. of the "credit risk" of "securitised assets", as such terms are defined for purposes of that statute, and is generally prohibited from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the sponsor is required to retain. The U.S. Risk Retention Rules became effective for residential mortgage-backed securities on 24 December 2015.

Until the later of (i) the fifth anniversary of the Closing Date and (ii) the date on which the Current Balance of all Loans in the Portfolio has been reduced to 25% of the Current Balance of all Loans in the Portfolio as of the Closing Date, but in any event no longer than the seventh anniversary of the Closing Date (the "**Sunset Date**"), the U.S. Risk Retention Rules impose limitations on the ability of the Sponsor to dispose of or hedge the retained EVI. In general, prior to the Sunset Date, the Sponsor may not transfer the retained EVI to any person other than a majority-owned affiliate of the Sponsor. In addition, prior to the Sunset Date, the Sponsor and its affiliates may not engage in any hedging transactions if payments on the hedge instrument are materially related to the retained EVI and the hedge position would limit the financial exposure of the Sponsor (or a majority-owned affiliate) to the retained EVI. The Sponsor (or an affiliate) may not pledge its interest in a retained EVI as collateral for any financing unless such financing is full recourse to the Sponsor (or an affiliate).

The Seller, as "sponsor" ("**Sponsor**") for purposes of the U.S. Risk Retention Rules, may hold the retained interest. The Sponsor (or a majority-owned affiliate) intends to satisfy the requirements of the U.S. Risk Retention Rules by acquiring on the Closing Date an EVI equal to five per cent. in each Class of Notes and Residual Certificates.

If the Sponsor or a majority-owned affiliate fails to retain credit risk in accordance with the U.S. Risk Retention Rules, or engages in a hedging transaction with respect to the retained interest prior to the Sunset Date, the value and liquidity of the Notes may be adversely affected. Investors should make themselves aware of the requirements described above where applicable to them and consult their own advisers as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### ***Pensions Act 2004***

Under the Pensions Act 2004 a person that is "connected with" or an "associate" of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. The Issuer may be treated as "connected with" an employer under an occupational pension scheme which is within The Co-operative Bank p.l.c..

A contribution notice could be served on the Issuer if it was party to an act, or a deliberate failure to act, the main purpose or one of the main purposes of which was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under section 75

of the Pensions Act 1995 or (ii) otherwise than in good faith, to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due.

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

If a contribution notice or financial support direction were to be served on the Issuer this could adversely affect the interests of the Noteholders.

### ***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 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).

The European Securities and Markets Authority is obliged to maintain on its website, [www.esma.europa.eu](http://www.esma.europa.eu), a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list is required to be updated within five working days of European Securities and Markets Authority's adoption of any decisions to withdraw the registration of a credit rating agency under the CRA Regulation. Whilst the timing of the registration decision coming into effect and the publication of the updated ESMA list coincides, there will be some mismatch in timing when it concerns: (i) any decision to withdraw registration (i.e. the decision takes an immediate effect throughout the EU, whilst the ESMA list is only required to be updated within five working days of the decision being made); or (ii) any decision to temporarily suspend the use of credit ratings for regulatory purposes in the EU under Article 24 (i.e. the CRA Regulation does not expressly provide for the update of the ESMA list in this situation and, whilst ESMA must notify, without undue delay, its decision to the competent authorities, including sectoral competent authorities, it is only required to make such decision public on its website within 10 working days from the date when the decision was adopted). Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by DBRS and S&P, each of which, as at the date of this Prospectus, is established in the European Union and included on the list of registered and certified credit rating agencies that is maintained by European Securities and Markets Authority.

## **8. RISKS RELATING TO THE CHARACTERISTICS OF THE NOTES**

### ***Eurosystem eligibility***

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended, upon issue, to be deposited with a Common Safekeeper for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of the Common Safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem eligible collateral**") either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Issuer gives no representation, warranty,

confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue or at any time prior to redemption in full, satisfy all or any of the requirements for Eurosystem eligibility and be recognised as Eurosystem eligible collateral. Any potential investor in the Notes should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute Eurosystem eligible collateral. Any potential investors should note that, even if the Notes were recognised as eligible collateral, their continued Eurosystem eligibility may be impacted once the UK ceases to be a Member State of the EU ("**Member State**") (as to which see "MACRO-ECONOMIC AND MARKET RISKS – Risks connected with the political and economic decision of EU and Eurozone countries and the United Kingdom leaving the European Union may affect the performance of the securitisation" above).

#### *Book-Entry Interests*

Unless and until Registered Definitive Notes are issued in exchange for the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of the Notes 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.

A nominee of the Common Safekeeper will be considered the registered holder of the Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal holder of the Global Notes under the Trust Deed while the Notes are represented by the Global Note. 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.

Except as noted in the previous paragraphs, payments of principal and interest on, and other amounts due in respect of, the Global Note will be made by the Principal Paying Agent to the Clearing Systems in the case of the Global Note. Upon receipt of any payment from the Principal Paying Agent, Euroclear and Clearstream, Luxembourg, as applicable, will 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, any Paying Agent or the Registrar 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 Registered Definitive Notes are issued in accordance with the relevant provisions described herein under "*Terms and Conditions of the Notes*". 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, the Registrar 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.

The lack of Notes in physical form could also make it difficult for a Noteholder to pledge such Notes if Notes in physical form are required by the party demanding the pledge and hinder the ability of the Noteholder to recall such Notes because some investors may be unwilling to buy Notes that are not in physical form.

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

## TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

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

### **Sale of Portfolio:**

The Portfolio will consist of the Loans and the Related Security which will be sold by the Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement.

Under the Mortgage Sale Agreement, on the Closing Date the Issuer will pay the Initial Consideration to the Seller and:

- (a) a portfolio of English and Welsh residential mortgage loans (the "**English Loans**") and their associated mortgages (the "**English Mortgages**") and other Related Security will be assigned to the Issuer;
- (b) the Legal Title Holders and PFL (in its capacity as Legal Title Holder and as a former legal title holder of certain PFL Mortgages) will hold on trust under the Scottish Declaration of Trust a portfolio of Scottish residential mortgage loans for the benefit of the Issuer (together, the "**Scottish Loans**") and associated first ranking standard securities (the "**Scottish Mortgages**"); and
- (c) a portfolio of Northern Irish residential mortgage loans (the "**Northern Irish Loans**" and together with the English Loans and the Scottish Loans, the "**Loans**" and, individually, each a "**Loan**") and their associated mortgages (the "**Northern Irish Mortgages**" and together with the English Mortgages and the Scottish Mortgages, the "**Mortgages**" and, together with the other security for the Loans, the "**Related Security**") and other Related Security will be assigned to the Issuer,

in each case referred to as the "**sale**" by the Seller to the Issuer of the Loans and Related Security. The Loans and Related Security and all monies derived therefrom from time to time are referred to herein as the "**Portfolio**".

The terms "**sale**", "**sell**" and "**sold**" 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.

Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Loans and their Related Security comprising the Portfolio will not be given to the Borrowers and the Issuer will not apply to the Land Registry or Northern Ireland Land Registry or the Registry of Deeds, Belfast to register or record its



equitable or beneficial interest in the English Mortgages or Northern Irish Mortgages, as applicable, or apply to the General Register of Sasines or Land Register of Scotland to register or record its beneficial interest in the Scottish Mortgages pursuant to the Scottish Declaration of Trust. Prior to the occurrence of a Perfection Event, the legal title to each Loan and its Related Security in the Portfolio will be held by the relevant Legal Title Holder on bare trust for the Issuer (including, in respect of a Scottish Loan, under the Scottish Trust). Following a Perfection Event and notice of the transfer of the Loans and their Related Security to the Issuer being sent to the relevant Borrowers, legal title to the Loans and their Related Security (subject to appropriate registration or recording at the Land Registry or the Northern Ireland Land Registry or the Registry of Deeds, Belfast or the Registers of Scotland (as appropriate)) will pass to the Issuer.

**Features of the Loans:**

The following is a summary of certain features of the Loans comprising the portfolio as at the Portfolio Reference Date (the "**Provisional Portfolio**") and investors should refer to, and carefully consider, further details in respect of the Loans set out in "*The Loans*" and "*Characteristics of the Provisional Portfolio*". The Loans include loans to prime, non-conforming and buy to let Borrowers and are secured by first priority charges over freehold and leasehold properties in England and Wales and Northern Ireland or (in Scotland) first ranking standard securities over heritable and long-leasehold properties in Scotland. The portfolio that will be sold to the Issuer on the Closing Date will be selected from the Provisional Portfolio as at the Portfolio Reference Date (the "**Closing Date Portfolio**").

The characteristics of the Closing Date Portfolio will differ from those set out in this Prospectus as a result of, *inter alia*, repayments and redemptions of the Loans from the Portfolio Reference Date to the Closing Date Portfolio Selection Date and removal of any Loans which do not comply with the Loan Warranties as at the Closing Date Portfolio Selection Date.

"**Closing Date Portfolio Selection Date**" means 5 August 2019.

**Consideration:**

The total consideration from the Issuer to the Seller in respect of the sale of the Portfolio together with its Related Security shall be: (a) Initial Consideration (being an amount equal to the proceeds of the Notes, *less* the Retained Principal Required Amount, Liquidity Reserve Target Amount and the Initial Expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date determined as at close of business on the Closing Date Portfolio Selection Date), (b) Accrued Interest Consideration payable to the Seller after the Closing Date but on or prior to the first Interest Payment Date, (c) in relation to any Flexible Drawings, the payment of any amounts equal to any Flexible Drawing Amount payable on the relevant Drawings Date (or on any Interest Payment Date thereafter) as consideration for the Issuer's purchase from the Seller of such Flexible Drawing in accordance with the Mortgage Sale Agreement and (d) ongoing payment by the Issuer of "**Deferred Consideration**" consisting of the Residual Payments

under the Residual Certificates issued to the Seller representing its right to receive such Deferred Consideration.

Any Principal Residual Payment will be paid to the Principal Residual Certificateholders in accordance with the Pre-Acceleration Principal Priority of Payments or Post-Acceleration Priority of Payments (as applicable) (subject to the relevant Interest Payment Date not falling within a Determination Period).

Any Revenue Residual Payment will be paid to the Revenue Residual Certificateholders in accordance with the Revenue Priority of Payments or Post-Acceleration Priority of Payments (subject to the relevant Interest Payment Date not falling within a Determination Period).

The "**Current Balance**" of a Loan means, on any date, the aggregate balance of the Loan at such date (but avoiding double counting) including:

- (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance and any Flexible Drawing) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment (including, for the avoidance of doubt, any costs or fees incurred in connection with the recovery of that Loan and any Capital Costs) which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Arrears of Interest and any costs or fees incurred in connection with the recovery of that Loan) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage (but excluding any Accrued Interest),

as at the end of the Business Day immediately preceding that given date, *less* any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any Flexible Drawing committed to be made but not made by the end of the Business Day immediately preceding that given date, and excluding any retentions made but not released.

**"Borrower"** means, in relation to a Loan, the individual or individuals specified as such in the relevant Mortgage Conditions together with the individual or individuals (if any) from time to time

assuming an obligation to repay such Loan or any part of it.

**"Initial Expenses"** means the fees, costs and expenses incurred by the Issuer in connection with each of the transactions contemplated by the Transaction Documents up to and on the Closing Date.

**Representations and Warranties:**

The Seller will make certain Loan Warranties regarding the Loans and Related Security to the Issuer on the Closing Date in relation to the Loans and their Related Security in the Portfolio, including warranties in relation to compliance with the Lending Criteria as it applied at the date of origination of the Loans.

Broadly speaking, in addition to representations and warranties in respect of the legal nature of the Loans and their Related Security, there are also asset Loan Warranties which include the following:

- (a) all of the Borrowers are individuals;
- (b) no Loan is currently repayable in a currency other than Sterling;
- (c) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was less than £1,100,000;
- (d) all of the Properties are residential and located in England, Wales, Scotland and Northern Ireland; and
- (e) there are no obligations on a lender to make a Further Advance to a Borrower.

**"Lending Criteria"** means the lending criteria of the Seller (or, as applicable, the relevant Originator) from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender. See section *"Summary of the Key Transaction Documents – Mortgage Sale Agreement"* for further details.

*See section "Summary of the Key Transaction Documents – Title to the Mortgages, registration and notifications – Representations and Warranties relating to the Mortgage Sale Agreement" for further details.*

**Repurchase of the Loans and Related Security:**

The Seller shall repurchase the relevant Loans and their Related Security in the following circumstances:

- (a) upon a breach of Loan Warranties (which the Seller fails to remedy within the agreed grace period) where such breach has a material adverse effect on the value of that Loan; and
- (b) if a Scottish Mortgage is or has been subject to enforcement proceedings that are successfully challenged by a Borrower on the grounds that legal title to that Mortgage has not vested in the Seller.

**Consideration for**

Consideration payable by the Seller in respect of the repurchase of

**repurchase:** the Loans and Related Security shall be equal to the Current Balance of the relevant Loan *plus* any Accrued Interest on the Monthly Pool Date immediately following a determination by the Seller that such breach or breaches cannot be remedied or failure by the Seller to remedy such breach or breaches.

**Perfection Events:** *See the section entitled "Transaction Overview – Triggers Tables – Non-Rating Triggers Table – Perfection Events".*

Prior to the completion of the transfer of legal title of the Loans, the Issuer will be subject to certain risks as set out in *"Risk Factors – Credit Structure – There may be risks associated with the fact that the Issuer has no legal title to the Loans and their Related Security which may adversely affect payments on the Notes"*.

**Servicing of the Portfolio:** The Servicer agrees to service the Loans to be sold to the Issuer and their Related Security on behalf of the Issuer. The appointment of the Servicer may be terminated by the Issuer and/or the Security Trustee (subject to the terms of the Servicing Agreement) upon the occurrence of a Servicer Termination Event (see *"Transaction Overview – Triggers Tables– Non-Rating Triggers Table – Servicer"*).

The Servicer may also resign by giving not less than 3 months' notice to the Issuer and the Security Trustee and subject to, *inter alia*, a replacement servicer having been appointed. See *"Summary of the Key Transaction Documents – Servicing Agreement"*.

In addition, the Issuer shall use reasonable endeavours to procure that, upon exercise of the Portfolio Option by the Portfolio Option Holder, the Portfolio Option Holder requests from the Servicer a quote for the servicing of the Portfolio following the exercise of the Portfolio Option.

**Back-Up Servicer:** The Back-Up Servicer has agreed to provide certain services to the Issuer whilst the Servicer services the Loans, including mapping data provided by the Servicer in respect of the Loans. In the event of a Servicer Termination Event that is continuing and has not been remedied, the Back-Up Servicer will agree to service the loans on behalf of the Issuer on substantially similar terms to the Servicer.

**Delegation:** The Servicing Agreement provides that the Servicer may delegate all or any of its obligations as Servicer subject to and in accordance with the terms thereof or re-transfer to the Co-operative Bank p.l.c. of the servicing of certain Loans where the Borrower under such Loan is vulnerable or where the situation otherwise merits sensitive handling, **provided that** the Servicer remains responsible for the performance of any functions so delegated.

**Purchase of Portfolio by Portfolio Option Holder:** The Portfolio Option Holder may, by giving written notice to the Issuer at any time after the Portfolio Option Commencement Date (provided that a Portfolio Option Suspension Period is not then subsisting) purchase or procure that a Third Party Purchaser purchases all (but not part) of the Loans and their Related Security.

The Portfolio Option Holder will exercise the Portfolio Option in accordance with the terms of the Deed Poll. Neither the Seller, any Legal Title Holder or any other member of the Co-op Bank Group will provide any representations or warranties in relation to those Loans, Mortgages or the Related Security. The Issuer will provide limited representations in relation to its title to the Loans and their Related Security.

The Portfolio Option Holder may, as an alternative to exercising the Portfolio Option:

- (a) require the Issuer to provide a Market Sale Instruction (as described below); or
- (b) notify the Issuer that it does not intend to take any action either to exercise the Portfolio Option or to effect a Market Portfolio Sale.

In the event the Issuer receives a notification pursuant to paragraph (b) above, the Issuer shall not take any further action pursuant to the terms of Deed Poll until such time that the Portfolio Option Holder notifies the Issuer otherwise. For the avoidance of doubt, the giving of notice by the Portfolio Option Holder as described in paragraph (b) above shall not restrict the Portfolio Option Holder from exercising the Portfolio Option or to effect a Market Portfolio Sale, provided that the Portfolio Option Holder shall not be entitled to exercise the Portfolio Option during a Portfolio Option Suspension Period and no Market Sale Instruction may be given and no auction process in relation to a Market Portfolio Sale may be commenced during a Market Sale Suspension Period.

If, by a date falling 9 months after the Portfolio Option Commencement Date, the Issuer does not receive any notification from the Portfolio Option Holder notifying the Issuer that any of the Portfolio Option or the options set out in paragraph (a) or (b) above is being exercised, the Issuer shall instruct the Liquidation Agent to commence the process of effecting a Market Portfolio Sale.

In connection with the exercise of the Portfolio Option, the Portfolio Option Holder or the Third Party Purchaser (as applicable) will agree with the Issuer to either (i) deposit an amount equal to the Portfolio Option Purchase Price in either an escrow account in the name of the purchaser or in any other account as may be agreed between the Issuer and the Portfolio Option Holder or (as applicable) the Third Party Purchaser or (ii) provide irrevocable payment instructions for an amount equal to the Portfolio Option Purchase Price, provided that such deposit shall be made or irrevocable payment instructions shall be given by no later than (x) four Business Days prior to the Target Portfolio Purchase Completion Date or (y) such other date as the Issuer, at its sole discretion and the Portfolio Option Holder or (as applicable) the Third Party Purchaser may agree, provided further that the Portfolio Option Purchase Price or as applicable irrevocable payment

instructions must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*).

The exercise of the Portfolio Option will also be subject to the following conditions:

- (a) either (i) each of the purchasers of the legal and beneficial title in the Loans and their Related Security is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer, the Legal Title Holders and the Seller, having received tax advice (such advice to be obtained prior to the execution of any binding agreement in relation to the transfer of the Loans) from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal and beneficial title in the relevant Loans will not expose the Issuer, the Legal Title Holders or the Seller to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans;
- (b) either (i) the purchaser of the legal title to the Loans has all the appropriate licences, approvals, authorisations, consents, permissions and registrations (including any approvals, authorisations, consents, permissions and registrations required to be maintained under the FSMA and any rules and regulations of the FCA) required to administer residential mortgage loans such as the Loans (the "**Relevant Authorisations**") or (ii) the purchaser of the beneficial interest in the Loans has appointed a servicer who has the Relevant Authorisations;
- (c) the purchaser of the beneficial interest in the Loans and their Related Security shall not be permitted to transfer the beneficial interest in the Loans and their Related Security to any further purchaser until the transfer of the legal title to the Loans and their Related Security in favour of the purchaser of legal title to the Loans and their Related Security is perfected unless such transfer of beneficial interest is made to an entity which is within charge to UK Corporation tax; and
- (d) in the relevant mortgage sale agreement, the purchaser of the legal title to the Portfolio Option Loans and the Related Security (the "**Whole Legal Title**" ) assumes the obligations of the original Legal Title Holders to fund any Flexible Drawings required to be funded pursuant to any Flexible Loans and to indemnify the Issuer, the Seller and the relevant Legal Title Holder for any loss suffered as a

result of the purchaser of the Whole Legal Title failing to so fund any Flexible Drawings.

The tax advice referred to in paragraph (a) above shall be obtained at the cost of the Portfolio Option Holder.

In connection with the exercise of the Portfolio Option, the beneficial title to the Loans will be transferred on the Target Portfolio Purchase Completion Date. However, the perfection of the transfer of the legal title to the Loans and the giving of notices of such transfer to the Borrowers may take place immediately after the Target Portfolio Purchase Completion Date.

**"Affiliate"** means a Subsidiary or a Holding Company (as such terms are defined in section 1159 of the Companies Act 2006) of a person or any other Subsidiary of that Holding Company.

**"Counter Notice"** means a notice to be delivered by the Issuer in accordance with the Deed Poll in response to the Exercise Notice, setting out, among other things, the Target Portfolio Purchase Completion Date and the Portfolio Option Purchase Price.

**"Co-op Bank Group"** means the Co-operative Bank p.l.c. and its Affiliates.

**"Eligible Principal Residual Certificateholders"** means the Principal Residual Certificateholders *except for*, to the extent that any such entity is a Principal Residual Certificateholder, the Seller, any subsidiary of the Seller, any holding company of the Seller or any other subsidiary of any such holding company.

**"Market Sale Commencement Date"** means:

- (a) in the event the Portfolio Option Holder requires the Issuer to direct that the Loans and their Related Security be sold pursuant to a Market Portfolio Sale, the date on which the Portfolio Option Holder so notifies the Issuer;
- (b) in the event a Market Sale Instruction has been provided by the Issuer as a result of the Issuer not having received any notification from the Portfolio Option Holder by a date falling nine months after the Portfolio Option Commencement Date, the date on which the Issuer provides such Market Sale Instruction;
- (c) in the event there has been an Unsuccessful Market Portfolio Sale, the date falling 60 days prior to the third Interest Payment Date following the date on which a Market Portfolio Sale is deemed to be an Unsuccessful Market Portfolio Sale; or
- (d) in the event the Market Portfolio Sale has been commenced as a result of the Issuer being required to or proposing to

exercise its rights to redeem all of the Notes under the terms and conditions of the Notes other than on the Final Maturity Date, the date on which the Issuer provides any Market Sale Instruction in relation to such Market Portfolio Sale.

**"Market Sale Suspension Period"** means

- (a) a period beginning on any date on which the Portfolio Option Holder notifies the Issuer that it proposes to exercise the Portfolio Option, and ending on a date on which the relevant Exercise Notice or, as applicable, Counter Notice, is deemed to have no further effect under the terms of the Deed Poll; and
- (b) a period beginning on any date on which the Portfolio Option Holder notifies the Issuer that it does not intend to take any action either to exercise the Portfolio Option or to effect a Market Portfolio Sale and ending on a date when the Portfolio Option Holder notifies the Issuer that (i) it proposes to exercise the Portfolio Option (in which case, paragraph (a) above will apply) or (ii) it requires the Issuer to provide a Market Sale Instruction.

**"Portfolio Option"** means the option granted to the Portfolio Option Holder pursuant to the Deed Poll to require the Issuer to (x) sell beneficial interest in the Loans in the Portfolio, and (y) sell legal title or, if, at the time the option is exercised, the Issuer does not hold legal title to the Loans in the Portfolio, procure that the Legal Title Holders sell legal title in the Loans in the Portfolio, to the Portfolio Option Holder or a Third Party Purchaser, or (in case of legal title) a nominee of either of them.

**"Portfolio Auction Conditions"** means the following conditions:

- (a) the Liquidation Agent (or the Portfolio Manager or its behalf) shall seek and receive at least three bids from potential purchasers of the Portfolio;
- (b) the purchase price for the Loans and the Related Security sold pursuant to the portfolio auction process shall be at least an amount equal to the Market Sale Minimum Price;
- (c) either (i) the purchaser of the legal title to the Loans has all the Relevant Authorisations; or (ii) the purchaser of the beneficial interest in the Loans has identified a servicer who has the Relevant Authorisations to administer the Loans; and
- (d) any potential purchaser of the Loans and their Related Security shall not be permitted to transfer the beneficial interest in any of the Loans to a further purchaser until the transfer of the legal title to the Loans in favour of the purchaser of legal title to the Loans is perfected unless such transfer of beneficial interest is made to an entity which is within the charge to UK corporation tax; and



- (e) any potential purchaser of the legal title to the Loans shall agree to assume the obligations of the relevant Legal Title Holders to fund any Flexible Drawings as may be required under the Flexible Loans

**"Portfolio Option Commencement Date"** means a date falling 60 days prior to the Interest Payment Date that falls on or after 5 years from the Closing Date.

**"Portfolio Option Holder"** means: (a) where there is a sole Principal Residual Certificateholder, the Principal Residual Certificateholder; or (b) where there is not a sole Principal Residual Certificateholder, any entity that represents Eligible Principal Residual Certificateholders holding not less than 75 per. cent. of the Principal Residual Certificates held by Eligible Principal Residual Certificateholders.

**"Portfolio Option Suspension Period"** means a period beginning on a Market Sale Commencement Date and ending on a date falling two calendar months after the date on which a Market Portfolio Sale is deemed to be an Unsuccessful Market Portfolio Sale.

**"Portfolio Purchase"** means a purchase of the Loans and their Related Security by either the Portfolio Option Holder or the Third Party Purchaser pursuant to the exercise of the Portfolio Option.

**"Target Portfolio Purchase Completion Date"** means the date identified as the date on which the Portfolio Purchase is expected to be completed pursuant to the terms of the Deed Poll, which, for the avoidance of doubt shall be an Interest Payment Date following the Portfolio Option Commencement Date.

**"Unsuccessful Market Portfolio Sale"** means a Market Portfolio Sale process in relation to which:

- (a) the Liquidation Agent (or the Portfolio Manager) is unable to obtain bids which satisfy the Portfolio Auction Conditions within 2 calendar months of:
  - (i) in case a Market Portfolio Sale process has been commenced (x) pursuant to the Portfolio Option Holder requiring the Issuer to effect a Market Portfolio Sale or (y) as a result of the Issuer not having received any notification from the Portfolio Option Holder by a date falling nine months after the Portfolio Option Commencement Date or (z) as a result of the Issuer being required to or proposing to exercise its rights to redeem all of the Notes under the terms and conditions of the Notes other than on the Final Maturity Date, the date on which the Issuer instructs the Liquidation Agent to effect the Market Portfolio Sale; or
  - (ii) in case a Market Portfolio Sale process has been

commenced on or after a date falling 60 days prior to the third Interest Payment Date following the date on which a Market Portfolio Sale is deemed to be an Unsuccessful Market Portfolio Sale (the "**Market Portfolio Sale Recommencement Date**"), the Market Portfolio Sale Recommencement Date;

- (b) the Liquidation Agent (or the Portfolio Manager) has accepted a bid and a binding agreement in relation to the transfer of the Loans has not been entered into within 2 calendar months following the date on which the bidder is notified of its bid being successful.

See the section entitled "*Early Redemption of the Notes – Portfolio Option*" for further details.

**Consideration for purchase by Portfolio Option Holder:**

The purchase price payable by the Portfolio Option Holder or the Third Party Purchaser, as applicable, in respect of the Portfolio Purchase shall be an amount which:

- (a) after any withholding or deduction on account of tax; and
- (b) after taking into account (i) any collections of principal, interest and other amounts received on the Loans in the Collection Period immediately preceding the Collection Period in which the Target Portfolio Purchase Completion Date falls and (ii) the amounts standing to the credit of Retained Principal Receipts Ledger and the Liquidity Reserve Ledger (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date),

shall be equal to the sum of:

- (A) the aggregate Principal Amount Outstanding of the Notes plus accrued interest thereon (calculated as at the Target Portfolio Purchase Completion Date); and
- (B) any fees, costs and expenses of the Issuer payable senior to principal and interest on the Notes in accordance with the applicable Pre-Acceleration Priority of Payments;

(the "**Portfolio Option Purchase Price**").

See the section entitled "*Early Redemption of the Notes – Portfolio Option*" for further details.

**Market sale of Portfolio:**

In the event that (i) the Portfolio Option Holder directs the Issuer to do so after the Portfolio Option Commencement Date or (ii) the Issuer has not received a notification from the Portfolio Option Holder notifying the Issuer of the exercise of any of the options described in the section titled "*Purchase of the Portfolio by the Portfolio Option Holder*" above within 9 months of the Portfolio Option Commencement Date or (iii) the Issuer is required to or proposes to redeem the Notes pursuant to the terms and conditions

of the Notes other than on the Final Maturity Date, the Issuer will instruct (the "**Market Sale Instruction**") the Liquidation Agent to effect the sale of Loans pursuant to an auction process (a "**Market Portfolio Sale**"). The Liquidation Agent may elect to conduct the auction process itself or appoint a portfolio manager (the "**Portfolio Manager**") to conduct the auction process.

Any instruction in relation to seeking offers for a Market Portfolio Sale will only be given to the Liquidation Agent after the Issuer has obtained an opinion from an appropriately qualified and experienced United Kingdom tax adviser that neither the process of seeking bids, nor selling the portfolio to successful bidders should cause the Issuer to cease to be taxed in accordance with the Taxation of Securitisation Companies Regulations 2006 (as amended).

The Liquidation Agent (or the Portfolio Manager acting on its behalf) shall not consider any offers for a Market Portfolio Sale until such party has received three market bids (the "**Market Sale Minimum Bids**"). The purchase price payable in respect of such Market Portfolio Sale shall not be less than the Market Sale Minimum Price (as defined below).

The Liquidation Agent (or the Portfolio Manager acting on its behalf) shall accept any bid which offers a purchase price equal to or higher than the Market Sale Minimum Price, provided that if more than one bid offers a price higher than the Market Sale Minimum Price, the Liquidation Agent (or the Portfolio Manager) shall accept the bid which, in its view, is the strongest bid for the purchase of the Portfolio (having regard to the price offered, execution risk and any other factors considered necessary by the Liquidation Agent or Portfolio Manager (as applicable)) (the price at which the bid is accepted, the "**Market Portfolio Purchase Price**").

It shall also be one of the conditions of submitting a bid that either (i) the purchaser of legal title to the Loans has all the Relevant Authorisations or (ii) the purchaser of beneficial interest in the Loans shall appoint a servicer who has the Relevant Authorisations.

In the event the Market Portfolio Sale is deemed an Unsuccessful Market Portfolio Sale, the Liquidation Agent shall (or shall instruct the Portfolio Manager to) seek bids from potential purchasers in relation to the Loans and their Related Security. The process of repeating the process of seeking bids shall commence on the date falling 60 days prior to the third Interest Payment Date following the date on which a Market Portfolio Sale is deemed to be an Unsuccessful Market Portfolio Sale. The process of seeking bids shall be repeated in the manner set out in the Liquidation Agent Agreement until a successful bidder has been identified, provided that the Liquidation Agent shall not (and shall not instruct the Portfolio Manager to) commence a portfolio auction process during a Market Sale Suspension Period.

The Market Portfolio Sale will also be subject to the following

conditions:

- (a) either (i) each of the purchasers of the legal and beneficial title in the Loans and their Related Security is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer, the Legal Title Holders and the Seller, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal and beneficial title in the relevant Loans will not expose the Issuer, the Legal Title Holders or the Seller to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans;
- (b) either (i) the purchaser of the legal title to the Loans has all the Relevant Authorisations or (ii) the purchaser of the beneficial interest in the Loans has appointed a servicer who has the Relevant Authorisations; and
- (c) the purchaser of the beneficial interest in the Loans and their Related Security shall not be permitted to transfer the beneficial interest in the Loans and their Related Security to a further purchaser until the transfer of the legal title to the Loans and their Related Security in favour of the purchaser of legal title to the Loans and their Related Security is perfected unless such transfer of beneficial interest is made to an entity which is within charge to UK Corporation tax.

The tax advice referred to in paragraph (a) above shall be obtained at the cost of the purchaser of the beneficial interest in the Loans.

The proposed purchaser will agree with the Issuer to either (i) deposit an amount equal to the Market Portfolio Purchase Price in either an escrow account in the name of the proposed purchaser or in any other account as may be agreed between the Issuer and the proposed purchaser or (ii) provide irrevocable payment instructions for an amount equal to the Market Portfolio Purchase Price, provided that such deposit shall be made or irrevocable payment instructions shall be given by no later than (x) four Business Days prior to the Target Market Portfolio Purchase Date or (y) such other date as the Issuer, at its sole discretion and the proposed purchaser may agree, provided further that the Market Portfolio Purchase Price or as applicable irrevocable payment instructions must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*).

In connection with the Market Portfolio Sale, the beneficial title to the Loans will be transferred on the Interest Payment Date designated as the date upon which the Market Portfolio Sale shall

be completed which for the avoidance of doubt shall be an Interest Payment Date following the Market Sale Commencement Date (the "**Target Market Portfolio Purchase Date**"). However, the perfection of the transfer of the legal title to the Loans and the giving of notices of such transfer to the Borrowers may take place immediately after the Target Market Portfolio Purchase Date.

None of the Legal Title Holders, the Seller, the Security Trustee nor any member of the Co-op Bank Group will provide any representations or warranties in relation to those Loans, Mortgages or the Related Security. The Issuer will provide limited representations in relation to its title to the Loans and their Related Security.

**"Market Sale Minimum Price"** means an amount which:

- (a) after any withholding or deduction on account of tax; and
- (b) after taking into account (i) any collections of principal, interest and other amounts received on the Loans in the Collection Period immediately preceding the Collection Period in which the Target Market Portfolio Purchase Date falls and (ii) any amounts standing to the credit of Retained Principal Receipts Ledger and the Liquidity Reserve Ledger (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date),

shall be equal to the sum of:

- (A) the aggregate Principal Amount Outstanding of the Notes plus accrued interest thereon (calculated as at the Target Market Portfolio Purchase Date);
- (B) any fees, costs and expenses of the Issuer payable senior to principal and interest on the Notes in accordance with the applicable Pre-Acceleration Priority of Payments;
- (C) costs incurred or to be incurred by the Issuer on the auction process (including without limitation, the fees and expenses payable to the Portfolio Manager and the expenses incurred by the Portfolio Manager in relation to the auction process).

See the section entitled "*Early Redemption of the Notes – Market Sale of Portfolio*" for further details.

## TRANSACTION OVERVIEW – 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

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes
Principal Amount:	£266,668,000	£14,118,000	£9,412,000	£4,707,000	£4,707,000	£4,707,000
Credit enhancement and liquidity support features:	Liquidity Reserve Ledger, Subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, PRC Overcollateralisation Amount, excess Available Revenue Receipts	Liquidity Reserve Ledger, Subordination of the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, PRC Overcollateralisation Amount, excess Available Revenue Receipts	Subordination of the Class D Notes, the Class E Notes and the Class F Notes, PRC Overcollateralisation Amount, excess Available Revenue Receipts	Subordination of the Class E Notes and the Class F Notes, PRC Overcollateralisation Amount, excess Available Revenue Receipts	Subordination of the Class F Notes, the PRC Overcollateralisation Amount, excess Available Revenue Receipts	Subordination of the PRC Overcollateralisation Amount, excess Available Revenue Receipts
Issue Price:	100%	100%	100%	100%	100%	100%
Reference Rate:	Three-Month Sterling LIBOR	Three-Month Sterling LIBOR	Three-Month Sterling LIBOR	Three-Month Sterling LIBOR	Three-Month Sterling LIBOR	N/A
Margin	0.900% p.a.	1.750% p.a.	2.100% p.a.	2.500% p.a.	3.500% p.a.	N/A
Step-Up Margin	1.350% p.a.	2.625% p.a.	3.100% p.a.	3.500% p.a.	4.500% p.a.	N/A
Interest Accrual Method:	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	N/A
Interest Payment Dates:	21st day of March, June, September and December in each year	21st day of March, June, September and December in each year	21st day of March, June, September and December in each year	21st day of March, June, September and December in each year	21st day of March, June, September and December in each year	21st day of March, June, September and December in each year
First Interest Payment Date:	23rd day of March 2020	23rd day of March 2020	23rd day of March 2020	23rd day of March 2020	23rd day of March 2020	23rd day of March 2020
Step-Up Date	21st September 2024	21st September 2024	21st September 2024	21st September 2024	21st September 2024	21st September 2024
Final Maturity Date:	March 2042	March 2042	March 2042	March 2042	March 2042	March 2042
Application for Exchange Listing:	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin
Regulation S ISIN:	XS2019935126	XS2019935472	XS2019935555	XS2019935639	XS2019935803	XS2038952755
Regulation S Common Code:	201993512	201993547	201993555	201993563	201993580	203895275
Rule 144A ISIN	XS2019935985	XS2019936017	XS2019936108	XS2019936280	XS2019936363	XS2038952672
Rule 144A Common Code	201993598	201993601	201993610	201993628	201993636	203895267
Regulation S	DGVNFR	DGVXFR	DGVXFR	DGVXFR	DGVXFR	DGVXFR

	<u>Class A Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class E Notes</u>	<u>Class F Notes</u>
CFI						
Regulation S FSIN	WARWICK FINANCE/VAR MBS 20420321	WARWICK FINANCE/VAR MBS 20420321 SU	WARWICK FINANCE/VAR MBS 20420321 SU	WARWICK FINANCE/VAR MBS 20420321 SU	WARWICK FINANCE/VAR MBS 20420321 SU	WARWICK FINANCE/VAR MBS 20420321 SU
Rule 144A CFI	DGVNFR	DGVXFR	DGVXFR	DGVXFR	DGVXFR	DGVXFR
Rule 144A FSIN	WARWICK FINANCE/VAR MBS 20420321	WARWICK FINANCE/VAR MBS 20420321 SU	WARWICK FINANCE/VAR MBS 20420321 SU	WARWICK FINANCE/VAR MBS 20420321 SU	WARWICK FINANCE/VAR MBS 20420321 SU	WARWICK FINANCE/VAR MBS 20420321 SU
Ratings DBRS / S&P	AAA / AAA	AA / AA	A(l) / A	BBB(h) / BBB+	BB(h) / B	N/A
Amount retained by the Co- operative Bank p.l.c.	5%	5%	5%	5%	5%	5%
Regulation S Minimum Denominatio n	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof
Rule 144A Minimum Denominatio n	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof

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

From the Portfolio Option Commencement Date, the Portfolio Option Holder has the right to exercise the option to either acquire legal title to and beneficial interest in the Portfolio or to require the Issuer to transfer beneficial interest in and procure that the Legal Title Holders transfer legal title to the Portfolio to a Third Party Purchaser. As an alternative to this option, the Portfolio Option Holder may require the Issuer to effect a Market Sale of the Portfolio. The exercise of either of the options described in this paragraph would lead to an early redemption of the Notes.

## OVERVIEW OF THE CHARACTERISTICS OF THE NOTES AND THE RESIDUAL CERTIFICATES

### Ranking and Form of the Notes:

The Issuer will issue the following classes of the Notes on the Closing Date under the Trust Deed:

- Class A mortgage backed floating rate Notes due March 2042 (the "**Class A Notes**");
- Class B mortgage backed floating rate Notes due March 2042 (the "**Class B Notes**");
- Class C mortgage backed floating rate Notes due March 2042 (the "**Class C Notes**");
- Class D mortgage backed floating rate Notes due March 2042 (the "**Class D Notes**");
- Class E mortgage backed floating rate Notes due March 2042 (the "**Class E Notes**"); and
- Class F mortgage backed floating rate Notes due March 2042 (the "**Class F Notes**"),

and, together, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes are the "**Notes**" and the holders thereof, the "**Noteholders**".

The Notes will be issued in registered form. Each Class of Notes will be issued pursuant to Rule 144A and Regulation S and the Notes will be cleared through Euroclear and/or Clearstream, Luxembourg, as set out in "*Description of the Global Notes and Global Residual Certificates*".

### Residual Certificates:

The Issuer will also issue to the Seller:

- certificates evidencing the right to receive Deferred Consideration for the purchase of the Portfolio consisting of the Principal Residual Payments payable under item (q) of the Pre-Acceleration Principal Priority of Payments and in item (n) of the Post-Acceleration Priority of Payments (the "**Principal Residual Certificates**" and the holders thereof, the "**Principal Residual Certificateholders**");
- certificates evidencing the right to receive Deferred Consideration for the purchase of the Portfolio consisting of the Revenue Residual Payments payable under item (q) of the Revenue Priority of Payments and in item (p) of the Post-Acceleration Priority of Payments (the "**Revenue Residual Certificates**" and the holders thereof, the "**Revenue Residual Certificateholders**") and together with the Principal Residual Certificates the "**Residual Certificates**" and holders thereof, the "**Revenue Residual**



**Certificateholders"** and together with the Principal Residual Certificateholders, the "**Certificateholders**");

The Residual Certificates (other than the 5% of the Principal Residual Certificates and 5% of the Revenue Residual Certificate which will be retained by the Seller) will be sold by the Seller to a third party (or third parties) on the Closing Date.

**Sequential Order:**

- The Class A Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times.
- The Class B Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes.
- The Class C Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B Notes.
- The Class D Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes.
- The Class E Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.
- The Class F Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of principal, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

The Principal Residual Certificates are subordinated in right of any payment to payments of principal on all of the Notes. The Revenue Residual Certificates are subordinated in right of any payment to payments of interest on all of the Notes.

Prior to the service of a Note Acceleration Notice, the Principal Residual Certificateholders will be entitled to receive Deferred Consideration from the Issuer for its purchase of the Portfolio in amounts equal to whatever funds are remaining after all payments ranking senior to them in the Pre-Acceleration Principal Priority of Payments have been made. Following service of a Note Acceleration Notice, the Principal Residual Certificateholders will be entitled to receive Deferred Consideration from the Issuer for its purchase of the Portfolio in amounts equal to whatever funds are remaining (up to the PRC Overcollateralisation Amount less the aggregate amount of (i) all payments in respect of Principal

Residual Certificates which have been made since the Closing Date and (ii) any debit balance on the Principal Residual Certificate Principal Deficiency Ledger, subject always to a floor of zero) after all payments ranking senior to them in the Post-Acceleration Priority of Payments have been made.

The Revenue Residual Certificateholders will be entitled to receive Deferred Consideration from the Issuer for its purchase of the Portfolio in amounts equal to whatever funds are remaining after all payments ranking senior to them in the Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments have been made.

The Notes within each Class will rank *pro rata* and *pari passu* and rateably without any preference or priority among themselves as to payments of principal and interest at all times.

The Principal Residual Certificates will rank *pro rata* and *pari passu* and rateably without any preference or priority among themselves as to payments of Principal Residual Payments at all times.

The Revenue Residual Certificates will rank *pro rata* and *pari passu* and rateably without any preference or priority among themselves as to payments of Revenue Residual Payments at all times.

Pursuant to a deed of charge to be entered into between, *inter alios*, the Issuer and the Security Trustee (the "**Deed of Charge**"), the Notes and the Residual Certificates 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. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to all classes of the Notes.

**Security:**

Pursuant to the Deed of Charge, on the Closing Date the Notes and Residual Certificates will be secured by, *inter alia*, the following security (the "**Security**"):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any rights of set-off or netting provided for therein) (other than the Subscription Agreement, the Trust Deed, the Deed of Charge, the Scottish Declaration of Trust, each Scottish Supplemental Charge, any Scottish Transfer and any Scottish Sub-Security);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans, the Mortgages and their other Related Security and other related rights comprised in the Portfolio (other than in relation to the Scottish Loans);

- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignment 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 Legal Title Holders and PFL (in its capacity as Legal Title Holder and as a former legal title holder of certain PFL Mortgages) over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust);
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Citi Account Bank and any sums standing to the credit thereof;
- (f) a floating charge over all other assets of the Issuer not otherwise assigned by way of Security or subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues as are situated in, or otherwise governed by the laws of, Scotland or Northern Ireland (whether or not the subject of fixed security or fixed charges as aforesaid).

See "*Summary of the Key Transaction Documents – Deed of Charge*".

<b>Collateral:</b>	Mortgage loans that were originated by PFL, GMAC-RFC, Verso (liquidated), KMCL and SPML.
<b>Interest Provisions:</b>	Please refer to the " <i>Transaction Overview – Summary of the Terms and Conditions of the Notes – Full Capital Structure of the Notes</i> " and as fully set out in Condition 5 ( <i>Interest</i> ).
<b>Interest Deferral:</b>	Interest due and payable on the Notes (other than in respect of the Class A Notes) may be deferred in accordance with Condition 17 ( <i>Subordination by Deferral</i> ).
<b>No Gross-up:</b>	None of the Issuer, any Paying Agent nor any other person will be obliged to pay additional amounts to Noteholders if there is any withholding or deduction in respect of the Notes on account of taxes.
<b>Redemption:</b>	The Notes are subject to the following optional or mandatory redemption events: <ul style="list-style-type: none"> <li>• mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 7.1 (<i>Redemption at Maturity</i>);</li> <li>• mandatory partial redemption in part on any Interest</li> </ul>

Payment Date commencing on the first Interest Payment Date but prior to the service of a Note Acceleration Notice subject to availability of Available Principal Receipts, which shall be:

- (a) *first*, on a *pari passu* and *pro rata* basis to repay the Class A Notes until they are repaid in full;
- (b) *second*, on a *pari passu* and *pro rata* basis to repay the Class B Notes until they are repaid in full;
- (c) *third*, on a *pari passu* and *pro rata* basis to repay the Class C Notes until they are repaid in full;
- (d) *fourth*, on a *pari passu* and *pro rata* basis to repay the Class D Notes until they are repaid in full;
- (e) *fifth*, on a *pari passu* and *pro rata* basis to repay the Class E Notes until they are repaid in full; and
- (f) *sixth*, on a *pari passu* and *pro rata* basis to repay the Class F Notes until they are repaid in full;

in each case as fully set out in Condition 7.2 (*Mandatory Redemption*);

- optional redemption of the Notes exercisable by the Issuer in whole on the Optional Redemption Date, as fully set out in Condition 7.3 (*Optional Redemption of the Notes in Full*);
- optional redemption exercisable by the Issuer in whole for tax or other reasons on any Interest Payment Date following the date on which there is a change in tax law or other law, as fully set out in Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*); and
- on and from the Portfolio Option Commencement Date, mandatory redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale, as fully set out in Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*).

Any Note redeemed pursuant to the above redemption provisions 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 up to (but excluding) the date of redemption.

**Expected Average Lives the Notes:**

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 Notes can be made based on certain assumptions as described under "*Weighted Average Lives of the Notes*".

**Event of Default:**

As fully set out in Condition 10 (*Events of Default*) and Residual Certificates Condition 9 (*Events of Default*), which broadly includes (where relevant, subject to the applicable grace period):

- subject to Condition 17 (*Subordination by Deferral*), non-payment of interest and/or principal in respect of the Notes and the default continues for a period of seven days in the case of principal or 14 days in the case of interest;
- failure to pay any amount due in respect of the Residual Certificates for more than 14 days;
- material breach of contractual obligations by the Issuer under the Transaction Documents;
- insolvency event occurring in respect of the Issuer (as more fully described in Condition 10 (*Events of Default*) and Residual Certificates Condition 9 (*Events of Default*)); and
- it becomes unlawful for the Issuer to perform or comply with any of its obligations under the Notes or the Trust Deed.

**Limited Recourse:**

The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 11.4 (*Limited Recourse*).

The Residual Certificates are limited recourse obligations of the Issuer and the Certificateholders are only entitled to funds which are available to the Issuer in accordance with the applicable Priority of Payments. If any amounts remain outstanding which are not paid in full, such amounts are subject to a final write-off which is described in more detail in Residual Certificates Condition 10.3 (*Limited Recourse*).

**Governing Law:**

English law provided that certain provisions will be governed by Scottish and Northern Irish law, as applicable.

## RIGHTS OF NOTEHOLDERS, CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

**Prior to an Event of Default:** Prior to the occurrence of an Event of Default, Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Notes then outstanding or, as applicable, Certificateholders holding not less than 10 per cent. of the number of Residual Certificates outstanding, are entitled to convene a Noteholders' meeting, or a Certificateholders' meeting respectively.

However, so long as no Event of Default has occurred and is continuing, neither the Noteholders or Certificateholders (as applicable) are entitled to instruct or direct the Issuer to take any actions, either directly or through the Note Trustee, without the consent of the Issuer and, if applicable, certain other Transaction Parties, unless the Issuer has an obligation to take such actions under the relevant Transaction Documents.

**Following an Event of Default:** Following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if they pass an Extraordinary Resolution, (or, if the Notes have been redeemed in full, the Certificateholders may, if they hold not less than 25 per cent. of the number of Most Senior Class of Residual Certificates then outstanding or if they pass an Extraordinary Resolution), direct the Note Trustee to give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding or that all Residual Payments pursuant to the Residual Certificates are immediately due and payable, as applicable. The Note Trustee shall not be bound to take any such action unless first indemnified and/or prefunded and/or secured to its satisfaction.

**Noteholders and Certificateholders Meeting provisions:**

	<u>Initial meeting</u>	<u>Adjourned meeting</u>
Notice period:	At least 21 clear days	Not less than 13 Clear Days or more than 42 Clear Days
Quorum:	One or more persons present and holding or representing in aggregate not less than one quarter of the Principal Amount Outstanding	One or more persons present and holding or representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding

of the relevant Class or Classes of Notes then outstanding or holding or representing not less than one quarter of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable, for transaction of business including the passing of an ordinary resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than 50 per cent. of the aggregate in Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 50 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons present and holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of such

of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 10 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable, for transaction of business including the passing of an ordinary resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than 25 per cent. of the aggregate in Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 25 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons present and holding or representing in the aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of such

Class or Classes of Notes then outstanding or holding or representing not less than three-quarters of the number of such Class or Classes of Residual Certificates then outstanding, as applicable.

Class or Classes of Notes then outstanding or holding or representing not less than 50 per cent. of the number of such Class or Classes of Residual Certificates then outstanding, as applicable.

Required majority for Extraordinary Resolution:

Majority consisting of not less than two thirds of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll.

Required majority for Ordinary Resolution:

Clear majority consisting of an amount exceeding fifty per cent. of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a clear majority consisting of an amount exceeding fifty per cent. of the votes cast on such poll.

Written Resolution:

In the case of a resolution in writing that is to have the same effect as an Extraordinary Resolution: not less than three-quarters in aggregate Principal Amount Outstanding of the Relevant Class of Notes or the number of Residual Certificates then outstanding, as applicable.



In the case of a resolution in writing that is to have the same effect as an Ordinary Resolution: a clear majority consisting of an amount exceeding 50 per cent. in aggregate Principal Amount Outstanding of the Relevant Class of Notes or the number of Residual Certificates then outstanding, as applicable.

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 notice of such meeting is given (or, in the case of an adjourned meeting, the day on which the meeting to be adjourned is held) or the day on which such meeting is held.

For the purposes of the meeting provisions described above, "**outstanding**" means:

- (a) in relation to the Notes, all the Notes issued from time to time other than:
  - (i) those Notes which have been redeemed in full and cancelled pursuant to the Conditions;
  - (ii) 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 the Conditions) and remain available for payment against presentation of the relevant Notes;
  - (iii) those Notes which have been cancelled in accordance with Condition 7.10 (*Cancellation*) of the Notes;
  - (iv) those Notes which have become void or in respect of which claims have become prescribed, in each case under Condition 9 (*Prescription*) of the Notes;
  - (v) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes*) with respect to the Notes;
  - (vi) (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 14 (*Replacement of Notes*) with respect to the Notes; and

- (vii) any Global Note to the extent that it shall have been exchanged for another Global Note in respect of the Notes of the relevant Class or for the Notes of the relevant Class 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 the Noteholders of any Class or Classes, an Extraordinary Resolution in writing or an Ordinary Resolution in writing as envisaged by paragraph 1 (*Definitions*) of Schedule 7 (*Provisions for Meetings of Noteholders and Certificateholders*) to the Trust Deed and any direction or request by the holders of Notes of any Class or Classes;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 10.1 *Notes* and Schedule 3 (*Form of Definitive Note*) to the Trust Deed, Conditions 10 (*Events of Default*) and 11 (*Enforcement*) of the Notes;
- (iii) any discretion, power or authority (whether contained in the trust presents, or vested by operation of law) which the Security Trustee and the Note Trustee is required, expressly or impliedly, to have reference to the interests of the Noteholders or any Class or Classes thereof; and
- (iv) the determination by the Security Trustee and the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Noteholders or any Class or Classes thereof,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Seller, any subsidiary of the Seller, any holding company of the Seller or any other subsidiary of any 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 (A) in relation to a matter relating to a Basic Terms Modification, or (B) in the case of any of the Seller, any subsidiary of the Seller, any holding company of the Seller or any other subsidiary of any 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,

provided further that in the case of (B), if there is any other Class of Notes or any other Class of Residual Certificates 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 or the Residual Certificates of such Class, then the Relevant Class of Notes shall be deemed not to remain outstanding;

- (a) in relation to the Residual Certificates, all the Residual Certificates issued from time to time other than:
- (i) those Residual Certificates which have become void or in respect of which claims have become prescribed, in each case under Residual Certificates Condition 8 (*Prescription*) of the Residual Certificates;
  - (ii) those mutilated or defaced Residual Certificates which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Residual Certificates Condition 13 (*Replacement of Residual Certificates*) with respect to the Residual Certificates;
  - (iii) for the purpose only of ascertaining the number of Residual Certificates outstanding and without prejudice to the status for any other purpose of the relevant Instrument those Residual Certificates which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Residual Certificates Condition 13 (*Replacement of Residual Certificates*) with respect to the Residual Certificates; and
  - (iv) any Global Residual Certificate to the extent that it shall have been exchanged for another Global Residual Certificate in respect of the Residual Certificates 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 the Residual Certificateholders, an Extraordinary Resolution in writing or an Ordinary Resolution in writing as envisaged by paragraph 1 (*Definitions*) of Schedule 7 (*Provisions for Meetings of Noteholders and Certificateholders*) to the Trust Deed and any direction or request by the holders of Residual Certificateholders;
- (ii) the determination of how many and which Residual Certificates are for the time being outstanding for the purposes of Clause 10.1 (*Notes*) and Schedule 4 (*Form of*

*Definitive Residual Certificate*) to the Trust Deed, Residual Certificates Conditions 9 (*Events of Default*) and 10 (*Enforcement*);

- (iii) any discretion, power or authority (whether contained in the trust presents, or vested by operation of law) which the Security Trustee and the Note Trustee is required, expressly or impliedly, to have reference to the interests of the Noteholders or any Class or Classes thereof; and
- (iv) the determination by the Security Trustee and the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Residual Certificateholders or any Class or Classes thereof,

those Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Seller, any subsidiary of the Seller, any holding company of the Seller or any other subsidiary of any 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 (A) in relation to a matter relating to a Basic Terms Modification, or (B) in the case of any of the Relevant Persons where all of the Residual Certificates 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 Residual Certificates (the "**Relevant Class of Residual Certificates**") shall be deemed to remain outstanding, provided further that in the case of (B), if there is any other Class of Notes or any other Class of Residual Certificates ranking *pari passu* with, or junior to, the Relevant Class of Residual Certificates and one or more Relevant Persons are not the beneficial owners of all the Notes or the Residual Certificates of such Class, then the Relevant Class of Residual Certificates shall be deemed not to remain outstanding;

**Matters requiring  
Extraordinary Resolution:**

The following matters require an Extraordinary Resolution:

- to approve any Basic Terms Modification;
- to give a Note Acceleration Notice to the Issuer upon the occurrence of an Event of Default;
- to sanction any compromise or arrangement proposed to be made between the Issuer, any other party to any Transaction Document, the Note Trustee, the Security Trustee, any Appointee and the Noteholders and Certificateholders or any of them;
- to approve the substitution of any person for the Issuer as principal obligor under the Notes or the Residual Certificates;

- to give any authority or sanction which is required to be given by Extraordinary Resolution under the Transaction Documents;
- to approve or assent to any modification of the provisions contained in the Notes, the Residual Certificates, the Conditions, the Residual Certificates Conditions or the Trust Deed other than those modifications which are sanctioned by the Note Trustee without the consent or sanction of the Noteholders or Certificateholders in accordance with the terms of the Trust Deed;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to authorise the Note Trustee or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to sanction any scheme or proposal for the sale or exchange of the Notes or Residual Certificates for or the conversion of the Notes or the Residual Certificates into, *inter alia*, other obligations or securities of the Issuer or any other company;
- to discharge or exonerate the Note Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed, the Notes or the Residual Certificates;
- to give any other authorisation or approval which under the Trust Deed, the Notes or the Residual Certificates is required to be given by Extraordinary Resolution; and
- to appoint any persons as a committee to represent the interests of the Noteholders or Certificateholders and to convey upon such committee any powers which the Noteholders or Certificateholders could themselves exercise by Extraordinary Resolution.

See Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) or Residual Certificates Condition 11 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*) more detail.

Matters that do not require an Extraordinary Resolution will be determined on the basis of an Ordinary Resolution.

**Relationship between Classes of Noteholders and Certificateholders:**

Subject as provided in Condition 10 (*Events of Default*) and Residual Certificates Condition 9 (*Events of Default*) and other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of the relevant affected Classes of Notes

or the Residual Certificates, as applicable:

- A resolution (including an Extraordinary Resolution) passed at any meeting of the Most Senior Class of Noteholders shall be binding on all other Classes of Notes and on the Residual Certificates irrespective of the effect it has upon them.
- A resolution (including an Extraordinary Resolution) passed at any meeting of a relevant Class of Noteholders shall be binding on all other Classes of Noteholders ranking junior to such Class of Noteholders in the Priorities of Payments in each case and on the Certificateholders, irrespective of the effect it has upon them.
- No resolution or Extraordinary Resolution of any other Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class of Notes remain outstanding unless it shall have been sanctioned by a resolution or Extraordinary Resolution (as applicable) of the Most Senior Class of Noteholders or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Most Senior Class of Noteholders

A Basic Terms Modification requires an Extraordinary Resolution of each of the relevant Class or Classes of Notes and of the relevant Class or Classes of Residual Certificates (as applicable) but only in each case as are affected by such Basic Terms Modifications.

**Relationship between  
Noteholders and other  
Secured Creditors:**

So long as any of the Notes or Residual Certificates are outstanding, and without prejudice to any consent required of any Secured Creditor pursuant to the Transaction Documents, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors.

So long as the Notes or Residual Certificates are outstanding, the Note Trustee and the Security Trustee (acting on the instruction of the Note Trustee) will have regard to the interests of each class of the Noteholders equally, but if in the Note Trustee's sole opinion there is a conflict between the interests of any Classes of Notes and/or Classes of the Residual Certificates, it will have regard solely to the interests of the holders of the Class of Notes or Class of Residual Certificates ranking in priority to the other relevant Classes of Notes or Class of Residual Certificates in the Priorities of Payment provided that the Principal Residual Certificates will be deemed to rank ahead of the Revenue Residual Certificates and the holders of such subordinated Classes of Notes or Residual Certificates shall have no claim against the Note Trustee for doing so.

If there is a conflict between the interests of the Noteholders, the Certificateholders and/or the other Secured Creditors, the Note Trustee will take into account the interests of the Most Senior Class only in the exercise of its discretion. So long as any

Certificateholders are outstanding and there is a conflict between the interests of the Certificateholders and the other Secured Creditors (except the Noteholders), the Note Trustee will take into account the interests of the Certificateholders only in the exercise of its discretion. If there is a conflict between the interests of the holders of Principal Residual Certificates and holders of Revenue Residual Certificates, the Note Trustee will take into account the interests of the holders of the Principal Residual Certificates only.

**Relevant Person as Noteholders**

For certain purposes, including the right to attend and vote at any meeting of the Noteholders of any Class or Classes, the right to resolve by Extraordinary Resolution in writing and certain rights to direct the Note Trustee, the relevant Notes must be "outstanding". Those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Seller, any subsidiary of the Seller, any holding company of the Seller or any other Subsidiary of any such holding company (the "**Relevant Persons**") shall (unless and until ceasing to be so held) be deemed not to remain except in relation to certain matters.

See the definition of "outstanding" in the Conditions for circumstances where the Notes of any Class held by the Relevant Persons are deemed to be not "outstanding".

**Relevant Person as Certificateholder:**

For certain purposes, including the right to attend and vote at any meeting of the Certificateholders of any Class, the right to resolve by Extraordinary Resolution in writing and certain rights to direct the Note Trustee, the relevant Residual Certificates must be "outstanding". Those Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of any of the Relevant Persons shall (unless and until ceasing to be so held) be deemed not to remain outstanding except in relation to certain matters.

See the definition of "outstanding" in the Residual Certificates Conditions for circumstances where the Residual Certificates held by the Relevant Persons are deemed to be not "outstanding".

**Provision of Information to the Noteholders:**

***Securitisation Regulation Reporting***

The Cash Manager on behalf of the Issuer shall:

- (a) publish a quarterly investor report in respect of the relevant Collection Period, as required by and in accordance with Article 7(1)(e) of the Securitisation Regulation, which shall be provided (i) as at the Closing Date and prior to the date on which the relevant technical standards under the Securitisation Regulation have been implemented, in the form of the standardised template set out in Annex VIII of the Delegated Regulation (EU) No 2015/3 as required by Article 43(8) of the Securitisation Regulation and (ii) following the technical standards required by the Securitisation Regulation coming into effect, in the manner required by such technical standards;

- (b) publish (simultaneously with the report referred to in paragraph (a) above) on a quarterly basis certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the Securitisation Regulation which shall be provided (i) as at the Closing Date and prior to the date on which the technical standards being prepared under the Securitisation Regulation, in the form of the standardised template set out in Annex I of the Delegated Regulation (EU) No 2015/3 as required by Article 43(8) of the Securitisation Regulation and (ii) following the technical standards required under the Securitisation Regulation coming into effect, in the manner required by such technical standards;
- (c) publish on the website of European Data Warehouse at <https://editor.eurodw.eu/home> any information required to be reported pursuant to Article 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay. Such information will also be made available, on request, to potential holders of the Notes; and
- (d) within 15 days of the issuance of the Notes, make available via the website of EDW at <https://editor.eurodw.eu/home> copies of the final Transaction Documents and this Prospectus.

The reports set out above shall be published on the website of European Data Warehouse at <https://editor.eurodw.eu/home>, being a website which conforms with the requirements set out in Article 7(2) of the Securitisation Regulation and each such report and loan-by-loan and other information shall be made available no later than one month following the Interest Payment Date following the Collection Period to which it relates. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. To the extent any technical standards prepared under the Securitisation Regulation come into effect after the date of this Prospectus and require such reports to be published in a different manner or on a different website, the Issuer (as designated entity for the purposes of the Securitisation Regulation) shall comply with the requirements of such technical standards and procure compliance by the Cash Manager with such technical standards or other third party services provider when publishing such reports.

The Cash Manager will (as authorised by the Issuer) make the information referred to above available to the Noteholders and Certificateholders, relevant competent authorities (including for the avoidance of doubt the FCA) and, upon request, to potential investors in the Notes. In addition, the Issuer confirms that the Cash Manager on behalf of the Issuer has made available the documents required by Article 7(1)(b) of the Securitisation Regulation prior to the pricing date of the Notes.



### ***Bank of England Reporting***

The Seller (as originator) will procure that the Cash Manager will publish a monthly investor report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio in the form required by the Bank of England for the purpose of the Bank of England's sterling monetary framework.

Such reports will be published on (i) the Seller's website at <https://www.co-operativebank.co.uk/investorrelations/debtinvestors/warwickfinancermbs> and (ii) published on the website of European DataWarehouse at <https://editor.eurodw.eu/home> and (iii) delivered to the Issuer, the Security Trustee, the Seller and the Rating Agencies by no later than 20 Business Days following receipt by the Cash Manager of written request.

(For more information, see the section entitled "*General Information*").

#### **Communication with Noteholders:**

Any notice to be given by the Issuer or the Note Trustee to Noteholders shall be given in the following manner:

- so long as the Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders; and
- so long as the Notes are listed on a recognised stock exchange, by delivery in accordance with the notice requirements of that exchange.

The Note Trustee shall be at liberty to sanction some other method where, in its sole opinion, the use of such other method would be reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and **provided that** notice of such other method is given to Noteholders in such manner as the Note Trustee shall require.

#### **Communication with Certificateholders:**

Any notice to be given by the Issuer or the Note Trustee to the Certificateholders will, for so long as the Certificates are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to the Certificateholders and simultaneously made available through Bloomberg or any industry recognised successor to Bloomberg on a page associated with the Residual Certificates (unless impracticable to do so due to changes in the Bloomberg system after the Closing Date).

#### **Note Trustee and Security Trustee Mandatory Consents:**

Subject to the relevant provisions of the Conditions and the Trust Deed, the Issuer, the Servicer and the Cash Manager may, at any time during the term of the Trust Deed, request that the Note

Trustee agree and/or (for so long as there are any Notes or Residual Certificates outstanding) direct the Security Trustee to agree to Transaction Amendments (as defined in Condition 12.14 (*Mandatory consents*)) relating to the replacement of the Collection Account Bank, irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class, any other Secured Party or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or any other Secured Creditors if the following conditions are satisfied:

- (a) the Replacement Collection Account Bank meets the Collection Account Rating Agency Required Ratings;
- (b) confirmation in writing to the Note Trustee and the Security Trustee (as applicable) from the Issuer, the Servicer and/or the Cash Manager (in its capacity as the requesting party, where applicable) that the Rating Agencies have been given at least 15 days' notice of such proposed Transaction Amendments and have not raised any objection thereto;
- (c) confirmation in writing from the Issuer, the Servicer and/or the Cash Manager (in its capacity as the requesting party, where applicable) to the Note Trustee and the Security Trustee (as applicable) that none of the Priorities of Payments will be amended as a result of such Transaction Amendments; and
- (d) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, have the effect of (i) increasing the obligations, or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee or Security Trustee, or (ii) exposing the Note Trustee or the Security Trustee to any liability in respect of which it has not been indemnified and/or secured and/or prefunded to the Note Trustee's or Security Trustee's satisfaction.

See Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) for further details.

**Additional Right of Modification:**

The Conditions and Residual Certificates Conditions also provide that the Note Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders, or the other Secured Creditors to concur with the Issuer and/or direct the Security Trustee to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to the Conditions or any other Transaction Document to which either the Note Trustee or Security Trustee is a party or in relation

to which the Security Trustee holds security that the Issuer considers necessary (the "**Relevant Document**") (in summary):

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that the Issuer (or the Cash Manager on its behalf) certifies in writing to the Note Trustee and the Security Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
- (b) (I) for the purpose of complying with any changes under (i) the Securitisation Regulation after the Closing Date, including as a result of the adoption of Regulatory Technical Standards in relation to the Securitisation Regulation, (ii) the CRR Amendment Regulation or (iii) any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect, or (II) for the purpose of complying with any changes in the requirements of the U.S. Risk Retention Rules, including as a result of any other U.S. risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;
- (c) for the purpose of enabling the Notes to be (or to remain) listed on Euronext Dublin, provided that the Issuer (or the Cash Manager on its behalf) certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purposes of enabling the Issuer or a Transaction Party to comply with certain sections of the U.S. Internal Revenue Code of 1986, agreements relating thereto, FATCA, and similar tax laws; and
- (e) for the purpose of changing the Relevant Screen Rate or the base rate that then applies in respect of the Notes to an Alternative Base Rate and making such other Base Rate Modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if no Notes are outstanding, Certificateholders representing at least 10 per cent. of the number of the Most Senior Class of Residual Certificates then outstanding have notified the Principal Paying Agent or the Issuer in writing (or otherwise in

accordance with the then current practice of any applicable clearing system through which such Notes or Residual Certificates may be held) within the notification period referred to above that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders or Certificateholders of the Most Senior Class of Notes or Residual Certificates then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) and Residual Certificates Condition 11 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes or the Certificateholder's holding of the Residual Certificates.

When implementing any modification pursuant to these provisions (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee and the Security Trustee shall not consider the interests of the Noteholders, Certificateholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, and shall not be liable to the Noteholders, Certificateholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person.

The Note Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee (or as the case may be, the Security Trustee) would have the effect of (i) exposing the Note Trustee (or as the case may be, the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee (or as the case may be, the Security Trustee) in the Relevant Documents and/or these Conditions.

## TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

Please refer to sections entitled "Credit Structure" and "Cashflows" for further detail in respect of the credit structure and cash flow of the transaction

### Available Funds of the Issuer:

The Cash Manager on behalf of the Issuer will apply Available Revenue Receipts and Available Principal Receipts on each Interest Payment Date in accordance with the applicable Priority of Payments, as set out below.

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

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date and further excluding any amount representing proceeds of the sale of the Loans pursuant to the exercise of the Portfolio Option or pursuant to a Market Portfolio Sale;
- (b) interest payable to the Issuer on the Deposit Accounts to be received on the last day of the immediately preceding Collection Period;
- (c) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts;
- (d) if in a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);
- (e) (i) any insurance proceeds received beneficially, and (ii) where applicable, any indemnity payments received from the Seller in respect of losses incurred by the Issuer arising from a Third Party Insurance Event;
- (f) any amount which has been provided for on an Interest Payment Date in accordance with item (a), (b) or (d) of the Revenue Priority of Payments or item (a), (b), or (d) of the Pre-Acceleration Principal Priority of Payments that has not actually been paid within 15 months of that Interest Payment Date;
- (g) amount standing to the credit of the Liquidity Reserve Ledger (if any), only to the extent of any shortfall required to pay items (a) to (e) and (g) of the Revenue Priority of Payments before applying items (a) to (f) of the Pre-Acceleration Principal Priority of Payments (assuming for the purpose of this paragraph (g) that this paragraph (g) had not applied);

- (h) any Excess Liquidity Amount, where "**Excess Liquidity Amount**" means the amount (if positive) by which the amount credited to the Liquidity Reserve Ledger together with the Liquidity Reserve Actual Amount recorded in the Liquidity Reserve Ledger as at the last Interest Payment Date exceeds the Liquidity Reserve Target as determined on the current Interest Payment Date; and
- (i) amounts standing to the credit of the Liquidity Reserve Ledger on and from the date on which the Class B Notes are redeemed in full;

*less:*

- (A) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):

- payments of certain insurance premiums **provided that** such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
- 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;
- fees charged by the providers of the Collection Accounts or any costs incurred by the Seller in relation to the Collection Accounts;
- 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; and
- amounts due to the Citi Account Bank (if any) towards payment of interest,

(items within this paragraph (A) being collectively referred to herein as "**Third Party Amounts**"). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Deposit Accounts to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere; and

- (B) Revenue Receipts in an amount equal to the Accrued Interest Consideration, which may be applied by the Cash Manager on behalf of the Issuer to make payments of Accrued Interest Consideration to the Seller during the first Collection Period or on the first Interest Payment Date.

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

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period or retained in the Retained Principal Receipts Ledger on the last Interest Payment Date (less an amount equal to the aggregate of all amounts applied towards the payment of Capital Costs during such Collection Period) and (ii) received by the Issuer from the Seller (or, as applicable, any entity to which the Seller has transferred its obligations and liabilities and assigned its rights) during the immediately preceding Collection Period and on the Monthly Pool Date immediately following the Collection Period End Date in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller (or, as applicable, any entity to which the Seller has transferred its obligations and liabilities and assigned its rights) pursuant to the Mortgage Sale Agreement, in each case other than any amount representing the purchase price received by the Issuer upon sale of Loans further to the exercise of the Portfolio Option or by way of a Market Portfolio Sale;
- (b) (in respect of the first Interest Payment Date only) the amount paid into the Relevant Deposit Account on the Closing Date to fund the Retained Principal Receipts Ledger for the first Collection Period;
- (c) the amounts (if any) calculated on that Interest Payment Date pursuant to the applicable Pre-Acceleration Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger, the Class B Principal Deficiency Sub-Ledger, the Class C Principal Deficiency Sub-Ledger, the Class D Principal Deficiency Sub-Ledger, the Class E Principal Deficiency Sub-Ledger is reduced and/or the Class F Principal Deficiency Sub-Ledger is reduced;
- (d) if in a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);
- (e) the purchase price received by the Issuer upon sale of the Loans further to exercise of the Portfolio Option or sale of the Loans by way of a Market Portfolio Sale;
- (f) amounts standing to the credit of the Retained Principal Receipts Ledger on and from the date on which the Notes have been redeemed in full,

less

- (g) Principal Receipts being used by the Issuer (or the Cash Manager on its behalf) to purchase Flexible Drawings from the Seller.

**Summary of Priorities of Payments**

Below is a summary of the relevant payment priorities. Full details of the payment priorities are set out in the section entitled "Cashflows".

Revenue Priority of Payments:	Pre-Acceleration Principal Priority of Payments:	Post-Acceleration Priority of Payments:
(a) <i>Pro rata and pari passu</i> amounts due to the Note Trustee and the Security Trustee including charges, liabilities, fees, costs, indemnity payments and expenses	(a) As specified at item (a) of the Revenue Priority of Payments	(a) Amounts due to the Note Trustee, Security Trustee including the fees, indemnity payments and costs
(b) <i>Pro rata and pari passu</i> amounts due to the Servicer, Back-Up Servicer, Account Bank, Collection Account Bank, Agent Bank, Registrar, Paying Agents, Corporate Services Provider, Cash Manager, Back-Up Cash Manager or	(b) As specified at item (b) of the Revenue Priority of Payments	(b) Amounts due to the Servicer, Back-Up Servicer, Account Bank, Collection Account Bank, Agent Bank, Registrar, Paying Agents, Corporate Services Provider, Cash Manager, Back-Up Cash Manager or Liquidation Agent



	Liquidation Agent including the fees, indemnity payments and costs				including the fees, indemnity payments and costs
(c)	Issuer Profit Amount	(c)	As specified at item (c) of the Revenue Priority of Payments	(c)	<i>pro rata</i> and <i>pari passu</i> to the interest due on the Class A Notes
(d)	Amounts due and payable to third parties and in respect of corporation tax and Transfer Costs not paid by the Servicer	(d)	As specified at item (d) of the Revenue Priority of Payments	(d)	<i>pro rata</i> and <i>pari passu</i> , according to the respective outstanding amounts thereof principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero
(e)	<i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class A Notes	(e)	As specified at item (e) of the Revenue Priority of Payments only if the Class A Notes are the Most Senior Class	(e)	<i>pro rata</i> and <i>pari passu</i> to the interest due on the Class B Notes
(f)	Amounts to be credited to the Class A Principal Deficiency Sub-Ledger	(f)	As specified at item (g) of the Revenue Priority of Payments	(f)	<i>pro rata</i> and <i>pari passu</i> , according to the respective outstanding

		only if the Class B Notes are the Most Senior Class		amounts thereof principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero	
(g)	<i>Pro rata and pari passu</i> to the interest due on the Class B Notes	(g)	As specified at item (j) of the Revenue Priority of Payments only if the Class C Notes are the Most Senior Class	(g)	<i>pro rata and pari passu</i> to the interest due on the Class C Notes
(h)	Amounts to be credited to the Liquidity Reserve Ledger up to the Liquidity Reserve Target	(h)	As specified at item (l) of the Revenue Priority of Payments only if the Class D Notes are the Most Senior Class	(h)	<i>pro rata and pari passu</i> , according to the respective outstanding amounts thereof principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero
(i)	Amounts to be credited to the Class B Principal Deficiency Sub-Ledger	(i)	As specified at item (n) of the Revenue Priority of Payments	(i)	<i>pro rata and pari passu</i> to the interest due on the Class D Notes

only if the Class E Notes are the Most Senior Class

- |   |   |  |
|---|---|--|
| (j) <i>Pro rata and pari passu</i> to the interest due on the Class C Notes | (j) To replenish the Retained Principal Receipts Ledger   | (j) <i>pro rata and pari passu</i> , according to the respective outstanding amounts thereof principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero |
| (k) Amounts to be credited to the Class C Principal Deficiency Sub-Ledger   | (k) to redeem the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero; | (k) <i>pro rata and pari passu</i> to the interest due on the Class E Notes  |
| (l) <i>Pro rata and pari passu</i> to the interest due on the Class D Notes | (l) to redeem the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero; | (l) <i>pro rata and pari passu</i> , according to the respective outstanding amounts thereof principal due and payable on the Class E Notes until the Principal Amount   |

- Outstanding on the Class E Notes has been reduced to zero
- (m) Amounts to be credited to the Class D Principal Deficiency Sub-Ledger
- (m) to redeem the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (m) *pro rata and pari passu*, according to the respective outstanding amounts thereof principal due and payable on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero;
- (n) *pro rata and pari passu* as payment of Deferred Consideration (i.e. Principal Residual Payments) to holders of the Principal Residual Certificates up to a maximum of the PRC Over-collateralisation Amount less the aggregate amount of (i) all payments in respect of the Principal

Residual  
 Certificates  
 which, as at  
 the relevant  
 date, have  
 been made  
 since the  
 Closing  
 Date and (ii)  
 any debit  
 balance on  
 the Principal  
 Residual  
 Certificate  
 Principal  
 Deficiency  
 Ledger,  
 subject  
 always to a  
 floor of zero

- |     |   |     |   |     |  |
|-----|---|-----|---|-----|--|
| (n) | <i>Pro rata and pari passu</i> to the interest due on the Class E Notes | (n) | to redeem the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero; and | (o) | Issuer Profit Amount   |
| (o) | Amounts to be credited to the Class E Principal Deficiency Sub-Ledger   | (o) | to redeem the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;     | (p) | Remainder <i>pro rata and pari passu</i> to the holders of the Revenue Residual Certificates as Deferred Consideration (i.e. Revenue Residual Payments). |
| (p) | Amounts to be credited to the Class F Principal Deficiency Sub-Ledger   | (p) | to redeem the Class F Notes until the Principal Amount Outstanding  |     |  |
| (q) | Remainder to the holders of the Revenue Residual Certificates           |     |   |     |  |

as Deferred Consideration – (i.e. Revenue Residual Payments) on the Class F Notes has been reduced to zero;

(q) to pay all amounts remaining to the Principal Residual Certificate Holders as Deferred Consideration (i.e. Principal Residual Payments)

### General Credit Structure

The credit structure of the transaction includes (broadly speaking) the following elements:

- A Liquidity Reserve Ledger which will be funded on the Closing Date out of the proceeds of the issuance of the Notes up to the Liquidity Reserve Target. On each Interest Payment Date thereafter until the Class B Notes are redeemed in full, amounts standing to the credit of the Liquidity Reserve Ledger will be applied on any Interest Payment Date towards any shortfall required to pay items (a) to (e) and (g) of the Revenue Priority of Payments, (but before applying items (a) to (f) of the Pre-Acceleration Principal Priority of Payments), and the Liquidity Reserve Ledger will be replenished up to the Liquidity Reserve Target from Available Revenue Receipts in accordance with item (h) of the Revenue Priority of Payments. See "*Credit Structure – Liquidity Reserve Ledger*".

**"Liquidity Reserve Actual Amount"** means on any Interest Payment Date on and from the Closing Date, the lesser of (1) the Liquidity Reserve Target and (2) the amount standing to the credit of the Liquidity Reserve Ledger plus the amount available to be credited on that date in accordance with item (h) of the Revenue Priority of Payments.

**"Liquidity Reserve Target"** means on any Interest Payment Date up to but excluding the date on which the Class B Notes are redeemed in full, an amount equal to 1% of the Principal Amount Outstanding of the Class A Notes and the Class B Notes, at the Closing Date, and thereafter, zero.

- a Principal Deficiency Ledger will be established to record any Losses of (i) principal and (ii) Un-Capitalised Receipts

affecting the Loans in the Portfolio and/or the use of any Principal Receipts to cover items (a) to (i) of the Pre-Acceleration Principal Priority of Payments. The Principal Deficiency Ledger will comprise the following sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes), the Class B Principal Deficiency Sub-Ledger (relating to Class B Notes), the Class C Principal Deficiency Sub-Ledger (relating to Class C Notes), the Class D Principal Deficiency Sub-Ledger (relating to Class D Notes), the Class E Principal Deficiency Sub-Ledger (relating to Class E Notes), the Class F Principal Deficiency Sub-Ledger (relating to Class F Notes) and the Principal Residual Certificate Principal Deficiency Sub-Ledger (relating to the Principal Residual Certificates). Any Losses of (i) principal and (ii) Un-Capitalised Receipts on the Portfolio and/or any application of any Principal Receipts to meet items (a) to (i) of the Pre-Acceleration Principal Priority of Payments will be recorded as a debit:

- (a) first, to the Principal Residual Certificate Principal Deficiency Sub-Ledger up to a maximum of the PRC Overcollateralisation Amount less the aggregate amount of (i) all Residual Payments that have been made in respect of Principal Residual Certificates since the Closing Date and (ii) any debit balance on the Principal Residual Certificate Principal Deficiency Ledger, subject always to a floor of zero;
- (b) second, to the Class F Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class F Notes;
- (c) third, to the Class E Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class E Notes;
- (d) fourth, to the Class D Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class D Notes;
- (e) fifth, to the Class C Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class C Notes;
- (f) sixth, to the Class B Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class B Notes; and
- (g) seventh, to the Class A Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class A Notes.

Investors should note that realised Losses of (i) principal and (ii) Un-Capitalised Receipts in any period will be

calculated after applying any recoveries following enforcement of a Loan to outstanding fees and interest amounts due and payable on the relevant Loan. See "*Credit Structure – Principal Deficiency Ledger*";

- the availability of an investment rate provided by the relevant Account Bank in respect of monies held in the Deposit Accounts (see section "*Cashflows*" for further details).
- the Retained Principal Receipts Ledger which will record (a) amounts credited to such ledger on the Closing Date using part of the gross proceeds of the issuance of the Notes, and on each Interest Payment Date thereafter from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments and (b) withdrawals from such ledger on any Business Day to pay all Capital Costs. Any amounts not applied by the Cash Manager on behalf of the Issuer towards Capital Costs will comprise Available Principal Receipts in respect of such Interest Payment Date to be applied by the Issuer in accordance with the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date (see "*Credit Structure – Retained Principal Receipts Ledger*" and "*Cashflows – Definition of Available Principal Receipts*").

## **Bank Accounts and Cash Management**

On the Closing Date the Issuer will enter into the Citi Bank Account Agreement with the Citi Account Bank in respect of the Citi Deposit Account.

The Issuer will open a deposit account (the "**Citi Deposit Account**") with the Citi Account Bank on the Closing Date.

**"Deposit Accounts"** means each of the Citi Deposit Account and any Replacement Deposit Account and **"Deposit Account"** means any of them.

**"Deposit Account Criteria"** means, with respect to the Deposit Account held with an Account Bank:

- (a) either (i) the short-term and long-term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations or, in the case of DBRS, the short term deposit rating of the Account Bank is rated at least the Account Bank Ratings, or (ii) an unconditional and unlimited guarantee has been obtained in respect of the Account Bank's obligations, under the relevant Account Bank Agreement, from a financial institution having at least the Account Bank Ratings; and
- (b) the deposit rate applicable to monies held in the Relevant Deposit Account is at least zero per. cent. per annum.

**"Relevant Deposit Account"** means:



- (a) for as long as the Citi Deposit Account meets the Deposit Account Criteria and where there has not been a Citi Account Bank Termination, the Citi Deposit Account;
- (b) if at any time the Citi Deposit Account does not meet the Deposit Account Criteria or following a Citi Account Bank Termination, a Replacement Deposit Account.

**"Account Bank"** means the Account Bank and any other entity rated at least the Account Bank Rating appointed to provide bank accounts to the Issuer.

**"Citi Account Bank Termination"** means the termination of the Citi Account Bank Agreement in accordance with the terms thereof.

**"Citi Deposit Rate"** means the rate of interest applicable to monies held in the Citi Deposit Account.

**"Replacement Deposit Account"** means a replacement deposit account with a financial institution meeting the Deposit Account Criteria and which is a bank as defined in section 991 of the Income Tax Act 2007, as selected by the Cash Manager and appointed by the Issuer within 60 days of the Account Bank ceasing to meet the Deposit Account Criteria, *provided that* if such an account meeting the Deposit Account Criteria cannot be opened on substantially similar commercial terms to those governing the Citi Deposit Account, the Cash Manager at its discretion may continue to use Citi Deposit Account (as applicable) as the Deposit Account notwithstanding its failure to meet the Deposit Account Criteria.

On or about the Closing Date, PFL, MAS2, MAS4, MAS5 and MAS6 will enter into the Collection Account Declaration of Trust under which PFL, MAS2, MAS4, MAS5 and MAS6 will declare that all funds standing to the credit of the Collection Accounts are held on trust for the Issuer.

**"Collection Accounts"** means the accounts held in the name of the relevant Legal Title Holder into which Borrowers pay the amount due on their loans.

## TRANSACTION OVERVIEW – TRIGGERS TABLES

### Rating Triggers Table

<b>Citi Account Bank</b>	If at any time the Account Bank is assigned a rating of less than (i) in the case of DBRS, a COR of at least A(high) by DBRS, or if a COR from DBRS is not available, a long-term, senior, unsecured debt rating of A by DBRS (either by way of a public rating or, in its absence, by way of a private rating supplied by DBRS) and (ii) in the case of S&P, a long-term unsecured, unsubordinated and unguaranteed debt rating of A by S&P (the " <b>Account Bank Rating</b> ").	If the Citi Account Bank fails to maintain any of the Account Bank Ratings, the Issuer will use its commercially reasonable endeavours to procure that the Citi Deposit Account shall be transferred to another institution authorised under FSMA which has the Account Bank Rating, within a period not exceeding 30 calendar days (or such longer period as the Security Trustee and S&P may agree) from the date on which such downgrade occurs.
<b>Collection Account Bank</b>	<p>(a) In the case of S&amp;P, a short-term senior unsecured debt rating of at least A-2 and a long-term rating of at least BBB or (where the short-term unsecured debt rating by S&amp;P is less than A-2 or there is no short-term rating) a long-term rating of at least BBB+ by S&amp;P;</p> <p>(b) alternatively, such other ratings that are consistent with the then published criteria of S&amp;P as being the minimum ratings that are required to support the then rating of the Most Senior Class of Notes.</p>	If the Collection Account Bank fails to maintain the Required Ratings as set out in this section (the " <b>Collection Account Rating Agency Required Ratings</b> ") from S&P (such failure a " <b>Collection Account Bank Downgrade Event</b> "), the Issuer will use its commercially reasonable endeavours to procure that the Collection Accounts shall be transferred to another institution authorised under FSMA which has the Collection Account Rating Agency Required Ratings, within a period not exceeding 30 calendar days (or such longer period as the Security Trustee and S&P may agree) from the date on which such downgrade occurs.

### Non-Rating Triggers Table

<b>Perfection Events</b>	Any of the following:	Borrowers under the Mortgages will be notified of the sale of Mortgages to the Issuer and legal title to the Mortgages will be transferred to the Issuer.
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- (a) the relevant Legal Title Holder being required by
  - (i) an order of a court of competent jurisdiction or
  - (ii) by a regulatory authority which has jurisdiction over the relevant Legal Title Holder or
  - (iii) by any organisation of which the relevant Legal Title Holder is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the relevant Legal Title Holder to comply, to perfect legal title to the Loans and their Related Security;
- (b) it becoming necessary by law to take any or all such actions referred to in paragraph (a) above;
- (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being directed by the Secured Creditors to take action to reduce that jeopardy;
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Legal Title Holder Insolvency Event in relation to the relevant Legal Title Holder.

**Cash Manager**

- (a) *Non-payment:* default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the The Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may thereafter, while such default continues, deliver a notice (a "**Cash Manager Termination Notice**")

Cash Management Agreement and such default (where capable of remedy) continues unremedied for a period of ten 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 service of a Note Acceleration Notice, the Security Trustee, as the case may be, requiring the same to be remedied; or

to the Cash Manager, (with a copy to the Back-Up Cash Manager and the Issuer or the Security Trustee, as applicable) to terminate its appointment as Cash Manager under the Cash Management Agreement with effect from the date specified in such Cash Manager Termination Notice.

- (b) *Breach of other obligations*: 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 Note Trustee is materially prejudicial to the interests of the Noteholders of any Class (which determinations shall be conclusive and binding on all other Secured Creditors) and such default continues unremedied for a period of 30 Business Days after the earlier of the Cash Manager becoming aware of such default (where capable of remedy) and receipt by the Cash Manager of written notice from the Issuer or the Security Trustee (following the service of a Note Acceleration Notice), as the case may be, requiring the same to be remedied (where capable of remedy); or
- (c) *Insolvency Event*: an Insolvency Event occurs with respect to the Cash Manager,

## Servicer

- (a) default is made by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement or any other Transaction Document and such default continues unremedied for a period of thirty Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied; or
- The Issuer (subject to the prior written consent of the Security Trustee) or (following the service of a Note Acceleration Notice) the Security Trustee may at once or at any time thereafter while such default continues by notice in writing to the Servicer (with a copy to the Security Trustee in the case of the Issuer) terminate the appointment of the Servicer under the Servicing Agreement with effect from a date (not earlier than the date of the notice) specified in the notice.
- (b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or any other Transaction Document which (i) in the opinion of the Note Trustee is materially prejudicial to the interests of the Noteholders of any Class (which determinations shall be conclusive and binding on all other Secured Creditors) or (ii) if there are no Notes then outstanding, all the other Secured Creditors confirm in writing to the Security Trustee, is materially prejudicial to their interests, and such default continues unremedied for a period of thirty Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (following the service of a Note Acceleration Notice) the Security Trustee, is materially prejudicial to their interests, and such default continues unremedied for a period of thirty Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied; or
- Upon the occurrence of a Servicer Termination Event the Issuer shall deliver to the Back-Up Servicer (with a copy to the Security Trustee) the Back-Up Servicer Notice notifying it of the occurrence of a Servicer Termination Event and the Back-Up Servicer Succession Date. The Back-Up Servicer Succession Date shall be 60 days from the date of the Back-Up Servicer Notice or, if such date is not a Business Day, the next following Business Day.
- Where the Back-Up Servicer cannot act as Servicer, the Issuer shall use its reasonable endeavours to appoint a substitute servicer that satisfies the conditions set out in the Servicing Agreement.

Trustee requiring the same to be remedied, provided however that where the relevant default and receipt of notice of such default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of thirty Business Days, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may in its discretion specify to remedy such default or to indemnify (which may be by way of payment in advance or provision of security) the Issuer and the Security Trustee to its satisfaction against the consequences of such default; or

- (c) the occurrence of an Insolvency Event in respect of the Servicer; or
- (d) the Issuer ceases to have any interest in the Portfolio.

## TRANSACTION OVERVIEW – FEES

The following table sets out the ongoing fees to be paid by the Issuer to the transaction parties.

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Servicing fees.....	<p>In relation to each Collection Period, a fee calculated on the basis of the number of days elapsed (for which the Servicer was performing the Services) in a 365 day year (or 366 day year in a leap year) at the rate of 0.12 per cent. per annum (exclusive of any applicable VAT) on the aggregate average Current Balance of all Loans comprising the Portfolio as determined at the close of business on the last calendar day of each Collection Period, the average balance to be calculated as the total Current Balance of all Loans comprising the Portfolio on the first day of the Collection Period plus the total Current Balance of all Loans comprising the Portfolio on the last day of the Collection Period divided by two,</p> <p>plus</p> <p>£65 per Loan which is in Arrears per month (exclusive of any applicable VAT), charged once per Collection Period, with such calculation notified in writing to the Issuer, the Security Trustee and the Cash</p>	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
	<p>Manager within 7 Business Days of the end of each Collection Period,</p> <p>plus</p> <p>£140 per Loan which has been repaid in full during an Collection Period (exclusive of any applicable VAT), with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period in which such repayment occurred.</p>		
<p>Back-Up Servicing fees .....</p>	<p>On or about the Closing Date, £25,000 (exclusive of any applicable VAT) to be funded as a single payment.</p> <p>In relation to each Collection Period, a fee of £40,000 per annum (exclusive of any applicable VAT)</p> <p>Minimum annual fee of £40,000 (exclusive of any applicable VAT) pre invocation of the Back-Up Servicer,</p> <p>Upon invocation of the Back-Up Servicer, £200,000 (exclusive of any applicable VAT) to be funded as a single payment on the relevant Interest Payment Date immediately following delivery of a Back-Up Servicer Notice.</p>		<p>A single payment on or about the Closing Date</p> <p>Quarterly in arrear on each Interest Payment Date</p> <p>A single payment on the Interest Payment Date immediately following delivery of the Back-Up Servicer Notice</p>



<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
	<p>Upon assumption of duties as Servicer, in relation to each Collection Period, a fee calculated on the basis of the number of days elapsed (for which the Servicer was performing the Services) in a 365 day year (or 366 day year in a leap year) at the rate of 0.12 per cent. per annum (exclusive of any applicable VAT) on the aggregate average Current Balance of all Loans comprising the Portfolio as determined at the close of business on the last calendar day of each Collection Period, the average balance to be calculated as the total balances at the start of the Collection Period plus the total balances at the end of the Collection Period divided by two,</p> <p>plus</p> <p>£65 per Loan which is in Arrears per month (exclusive of any applicable VAT), charged once per Collection Period, with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period,</p> <p>plus</p>		<p>Quarterly in arrear on each Interest Payment Date</p>

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
	£140 per Loan which has been repaid in full during a Collection Period (exclusive of any applicable VAT), with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period in which such repayment occurred		
	Following invocation, a minimum annual fee of £300,000 applies.		
Liquidation Agency fee.....	£10,000.00 each quarter (exclusive of any applicable VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
	Upon completion of a Market Portfolio Sale, 0.40 per. cent of the Market Portfolio Purchase Price, to be funded as a single payment.	Ahead of all outstanding Notes	A single payment on the Interest Payment Date on which a Market Portfolio Sale is completed
Other fees and expenses of the Issuer (including fees to the Back-Up Cash Manager, Note Trustee and Security Trustee)....	Estimated at £80,000.00 each year (exclusive or inclusive of any applicable VAT as stated in the relevant agreement)	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 £20,000.00 (exclusive of any applicable VAT)		On or about the Closing Date

As at the date of this Prospectus, United Kingdom value added tax ("VAT") is currently chargeable at 20 per cent.

## CERTAIN REGULATORY DISCLOSURES

### Securitisation Regulation

The Seller, as an originator for the purposes of the Securitisation Regulation, will retain a material net economic interest of not less than 5 per cent. in the securitisation as required by Article 6(1) of the Securitisation Regulation (as such article is interpreted and applied on the date hereof and not taking into account any relevant national measures). As at the Closing Date, such interest will be comprised of the Seller holding 5% of the nominal value of each tranche of Notes and the Residual Certificates, in accordance with Article 6(3)(a) of the Securitisation Regulation. Any change to the manner in which such interest is held will be notified to the Noteholders.

The Issuer has been appointed as the designated entity under Article 7(2) of the Securitisation Regulation and has accepted such appointment and has agreed to perform all of the obligations under Article 7 of the Securitisation Regulation. Under the Cash Management Agreement, the Issuer has appointed the Cash Manager to perform Issuer's obligations under Article 7 of the Securitisation Regulation and will procure the Cash Manager does so.

For further information please refer to the section entitled "*General Information*".

The Seller will undertake in the Mortgage Sale Agreement that the Loans have not been selected to be sold to the Issuer with the aim of rendering losses on the Loans sold to the Issuer, measured over a period of 4 years, higher than the losses over the same period on comparable assets held on the balance sheet of the Seller.

The Seller will undertake to (i) the Sole Lead Manager and the Arranger in the Subscription Agreement and (ii) to the Issuer and the Security Trustee in the Mortgage Sale Agreement that, for so long as any Notes remain outstanding, it shall:

- (a) retain on an on-going basis a material net economic interest of not less than 5 per cent. of the nominal value of the securitised exposures for the purposes of Article 6(1) of the Securitisation Regulation (which does not take into account any corresponding national measures) (the "**Minimum Required Interest**");
- (b) retain the Minimum Required Interest by holding not less than 5 per cent. of the nominal value of each of the tranches of the Notes sold or transferred to investors in accordance with Article 6(3)(a) of the Securitisation Regulation;
- (c) not change the manner or form in which it retains the Minimum Required Interest, except as permitted under the Securitisation Regulation;
- (d) not take any action which would reduce its exposure to the economic risk of the Notes in such a way that it ceases to hold the Minimum Required Interest except as permitted under the Securitisation Regulation;
- (e) provide such investor information and comply with the requirements of Article 7(e)(iii) of the Securitisation Regulation by confirming (i) the risk retention of the Seller as contemplated by Article 6(1) of the Securitisation Regulation; and (ii) the interest to be retained by the Seller as specified in paragraph (a) above; and
- (f) immediately notify the Issuer, the Arranger, the Note Trustee, the Security Trustee and the Cash Manager in writing if for any reason (i) it fails to comply with the undertakings set out

in paragraphs (a) to (e) above in any way or (ii) the Seller becomes aware that it has failed to comply with any of its undertakings set out in paragraphs (a) and (b) above.

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 5 of the Securitisation Regulation and any relevant national measures which may be relevant and none of the Relevant Parties makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes.

In addition to the above, the Issuer shall confirm that it will procure the provision to Noteholders of any reasonable and relevant additional data and information referred to in Article 7 of the Securitisation Regulation (subject to all applicable laws), provided that the Issuer will not be in breach of the requirements of this paragraph if due to events, actions or circumstances beyond its control, it is not able to comply with such undertakings.

For further information please refer to "*Risk Factors –Legal and Regulatory Risks*" and "*Cash Management Agreement – Reporting under the Securitisation Regulation*".

### **CRA Regulation**

The credit ratings included or referred to in this Prospectus have been issued by DBRS and S&P, each of which is established in the European Union and is registered under the CRA Regulation.

### **U.S. Credit Risk Retention**

The Seller, acting as Sponsor, is required under the U.S. Risk Retention Rules to ensure that it (or a majority-owned affiliate) acquires and retains at least 5 per cent. of the "credit risk" of "securitised assets" collateralising the issuance of "asset-backed" securities. The Sponsor intends to satisfy the requirements of the U.S. Risk Retention Rules by acquiring on the Closing Date and retaining until the Sunset Date, an "eligible vertical interest" consisting of 5 per cent. of the Principal Amount of each class of Notes and a 5 per cent. interest in the Residual Interest Certificates, in each case determined as of the Closing Date.

The Sponsor is required by the U.S. Risk Retention Rules to retain the EVI from the Closing Date until the Sunset Date. In order to satisfy this requirement, the Sponsor will retain, either directly or through a majority-owned affiliate, the EVI through the Sunset Date.

Until the Sunset Date, the U.S. Risk Retention Rules impose limitations on the ability of the Sponsor (or its majority-owned affiliate) to dispose of or hedge its risk with respect to the EVI. Prior to the Sunset Date, any financing obtained by the Seller (or its majority-owned affiliate) that is secured by the EVI must provide for full recourse to the Sponsor (or its majority-owned affiliate) and otherwise comply with the requirements of the U.S. Risk Retention Rules. In addition, prior to the Sunset Date, the Sponsor and its majority-owned affiliates may not engage in any hedging transactions if payments on the hedge instrument are materially related to the EVI and the hedge position would reduce or limit the financial exposure of the Sponsor or its majority-owned affiliates to the EVI.

Subject to any applicable restrictions on transfer, the Sponsor may, at any time and from time to time, sell or otherwise transfer any portion of the EVI that is in excess of the portion it is required to retain to comply with the U.S. Risk Retention Rules. The U.S. Risk Retention Rules will not apply to any Notes held by the Sponsor or its majority-owned affiliate that do not constitute part of the EVI held by the Sponsor.

## **Volcker Rule**

The Issuer is not now, and immediately following the issuance of the Notes and the application of the proceeds thereof will not be, a "covered fund" for the purposes of the Volcker Rule.

In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act, and under the Volcker Rule and its related regulations, may be available, the Issuer has relied on the determinations that (i) it may rely on an exemption from the definition of investment company under Section 3(c)(5)(C) of the Investment Company Act and (ii) it is not structured to be a "covered fund" as defined for the purposes of the Volcker Rule. If the Issuer is considered a "covered fund", the liquidity of the market for the Notes may be materially and adversely affected, since banking entities could be prohibited from, or face restrictions in, investing in the Notes.

## **Rule 15Ga-2**

On 27 August 2014, the SEC approved rules and issued a release regarding third-party due diligence reports. The release relates primarily to two rules, Rule 15Ga-2 and Rule 17g-10, each under the Exchange Act, which became effective on 15 June 2015. Rule 15Ga-2 requires any issuer or underwriter of asset-backed securities (including, for this purpose, securitisations of residential and commercial mortgage loans, as well as other asset classes) rated by a nationally recognized statistical rating organisation to furnish Form ABS-15G Report via the SEC's EDGAR database describing the findings and conclusions of any third-party due diligence report obtained by the issuer or underwriter, at least five business days prior to the first sale of the asset-backed securities. The filing requirements apply to both publicly registered offerings and unregistered securitisations of assets offered within the United States such as those relying on Rule 144A. A third party due diligence report is any report containing findings and conclusions relating to due diligence services, which are defined as a review of pool assets for the purposes of issuing findings on: (1) the accuracy of the asset data; (2) determining whether the assets conform to stated underwriting standards; (3) asset value(s); (4) legal compliance by the originator; and (5) any other factor material to the likelihood that the issuer will pay interest and principal as required. These due diligence services are routinely provided by third-party due diligence vendors in asset-backed securities structured transactions and affect their credit ratings.

A Form ABS-15G Report containing diligence findings and conclusions with respect to a third party due diligence report prepared for the purpose of the transaction contemplated by this Prospectus will be prepared and furnished by the Seller no later than five business days prior to the date of the first sale of the Notes (i.e. the pricing date) and will be publicly available on EDGAR pursuant to Rule 15Ga-2. This Form ABS-15G Report is not, by this reference or otherwise, incorporated into this Prospectus and should not be relied upon by any prospective investor as a basis for making a decision to invest in the Notes.

Prospective investors should rely exclusively on this Prospectus as a basis for making a decision to invest in the Notes.

## 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 redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) there are no arrears or enforcements;
- (b) there is no debit balance on the Principal Deficiency Ledger on any Interest Payment Date;
- (c) no Loan is repurchased by the Seller;
- (d) The Issuer Standard Variable Rate is equal to 6.00 per cent.;
- (e) Three-Month Sterling LIBOR is equal to 0.80 per cent.;
- (f) in the case of the table "*Assuming the Portfolio Option is exercised on the Portfolio Option Commencement Date*" below, the Notes are redeemed at their Principal Amount Outstanding on the Portfolio Option Commencement Date;
- (g) no Security has been enforced;
- (h) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (i) the Mortgages are fully performing until the Final Maturity Date;
- (j) the Base Rate is equal to 0.75 per cent.;
- (k) the amortisation of any Repayment Loan is calculated as an annuity loan;
- (l) all Loans which are not Repayment Loans are assumed to be Interest-only Loans;
- (m) the closing date is 12 August 2019;
- (n) the first interest payment date is 23 March 2020;
- (o) the Portfolio Option Commencement Date is 21 September 2024;
- (p) weighted average lives are calculated on a 30/360 basis;
- (q) the closing balance as at the Portfolio Reference Date was £331,611,315;
- (r) the first Interest Payment Date has six months of collections from September to February;
- (s) no Flexible Drawings are advanced by the Seller;
- (t) any Loan which has passed its maturity date as at the Closing Date is assumed to mature 5 years after closing
- (u) the ratio of the Principal Amount Outstanding of the:
  - (i) Class A Notes to the Current Balance of the Portfolio as at the Closing Date is 85.0%;

- (ii) Class B Notes to the Current Balance of the Portfolio as at the Closing Date is 4.5%;
- (iii) Class C Notes to the Current Balance of the Portfolio as at the Closing Date is 3.0%;
- (iv) Class D Notes to the Current Balance of the Portfolio as at the Closing Date is 1.5%;
- (v) Class E Notes to the Current Balance of the Portfolio as at the Closing Date is 1.5%;  
and
- (vi) Class F Notes to the Current Balance of the Portfolio as at the Closing Date is 1.5%;

**Assuming the Portfolio Option is exercised on the Portfolio Option Commencement Date**

CPR	Base Case	0%	5%	10%	15%	20%
Class A	3.91	4.59	4.02	3.50	3.04	2.63
Class B	5.11	5.11	5.11	5.11	5.11	5.11
Class C	5.11	5.11	5.11	5.11	5.11	5.11
Class D	5.11	5.11	5.11	5.11	5.11	5.11
Class E	5.11	5.11	5.11	5.11	5.11	5.11
Class F	5.11	5.11	5.11	5.11	5.11	5.11

Base Case: 6% CPR

**Assuming the Portfolio Option is not exercised and the Clean-up Call is exercised**

CPR	Base Case	0%	5%	10%	15%	20%
Class A	5.36	7.64	5.68	4.30	3.37	2.73
Class B	11.63	12.79	11.80	10.57	8.67	7.34
Class C	11.86	13.11	12.11	10.86	8.86	7.61
Class D	11.86	13.11	12.11	10.86	8.86	7.61
Class E	11.86	13.11	12.11	10.86	8.86	7.61
Class F	11.86	13.11	12.11	10.86	8.86	7.61

Base Case: 6% CPR

Assumptions (a) to (t) above (inclusive) relate to circumstances which are not predictable.

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 "*Risk Factors – Credit Structure – Considerations relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*".

## EARLY REDEMPTION OF THE NOTES

The Portfolio may be sold by the Issuer pursuant to the Deed Poll or a Market Portfolio Sale pursuant to the Liquidation Agent Agreement.

### Portfolio Option

The Issuer will, pursuant to the Deed Poll, grant to the Portfolio Option Holder an option (the "**Portfolio Option**") to require (i) the Issuer to sell and transfer to the Portfolio Option Holder or a third party purchaser (the "**Third Party Purchaser**") the beneficial title to all Loans and Related Security in the Portfolio (the "**Portfolio Option Loans**") and (ii) sell and transfer legal title or, if at the time the Portfolio Option is exercised the Issuer does not hold legal title to the Portfolio Option Loans, the Issuer shall procure that the Legal Title Holders transfer such legal title to the Portfolio Option Loans to the Portfolio Option Holder or the Third Party Purchaser or a nominee of either of them.

"**Portfolio Option Holder**" means: (a) where there is a sole Principal Residual Certificateholder, the Principal Residual Certificateholder; or (b) where there is not a sole Principal Residual Certificateholder, any entity that represents Principal Residual Certificateholders holding not less than 75 per. cent. of the Principal Residual Certificates held by Eligible Principal Residual Certificateholders.

"**Eligible Principal Residual Certificateholders**" means the Principal Residual Certificateholders *except for*, to the extent that any such entity is a Principal Residual Certificateholder, the Seller, any subsidiary of the Seller, any holding company of the Seller or any other subsidiary of any such holding company.

The exercise of the Portfolio Option will also be subject to the following conditions:

- (a) either (i) each of the purchasers of the legal and beneficial title in the Loans and their Related Security is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer, the Legal Title Holders and the Seller, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal and beneficial title in the relevant Loans will not expose the Issuer, the Legal Title Holders or the Seller to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans;
- (b) either (i) the purchaser of the legal title to the Loans has all the appropriate licences, approvals, authorisations, consents, permissions and registrations (including any approvals, authorisations, consents, permissions and registrations required to be maintained under the FSMA and any rules and regulations of the FCA) required to administer residential mortgage loans such as the Loans (the "**Relevant Authorisations**") or (ii) the purchaser of the beneficial interest in the Loans has appointed a servicer who has the Relevant Authorisations;
- (c) the purchaser of the beneficial interest in the Loans and their Related Security shall not be permitted to transfer the beneficial interest in the Loans and their Related Security to any further purchaser until the transfer of the legal title to the Loans and their Related Security in favour of the purchaser of legal title to the Loans and their Related Security is perfected unless such transfer of beneficial interest is made to an entity which is within charge to UK Corporation tax;



- (d) in the relevant mortgage sale agreement, the purchaser of the legal title to the Portfolio Option Loans and the Related Security (the "**Whole Legal Title**") assumes the obligations of the original Legal Title Holders to fund any Flexible Drawings required to be funded pursuant to any Flexible Loans and to indemnify the Issuer, the Seller and the relevant Legal Title Holder for any loss suffered as a result of the purchaser of the Whole Legal Title failing to so fund any Flexible Drawings.

The tax advice referred to in paragraph (a) above shall be obtained at the cost of the purchaser of the beneficial interest in the Portfolio.

None of the Seller, the Legal Title Holders or any other member of the Co-op Bank Group will be required to provide any representations or warranties in relation to the Loans, the Mortgages and the Related Security. The Issuer will provide limited representations in relation to its interest in the Loans and their Related Security.

The Portfolio Option may be exercised by notice to the Issuer with a copy to the Security Trustee, the Seller, the Legal Title Holders, each Rating Agency and the Servicer at any time on and from the Portfolio Option Commencement Date, provided that a Portfolio Option Suspension Period is not then subsisting and further provided that the Target Portfolio Sale Completion Date is specified in that notice as being an Interest Payment Date following the Portfolio Option Commencement Date.

The Portfolio Option Holder may, as an alternative to exercising the Portfolio Option:

- (a) require the Issuer to effect a Market Portfolio Sale (as described below); and
- (b) notify the Issuer that it does not intend to take any action either to exercise the Portfolio Option or effect a Market Portfolio Sale.

In the event the Issuer receives a notification pursuant to paragraph (b) above, the Issuer shall not take any further action pursuant to the terms of Deed Poll until such time that the Portfolio Option Holder notifies the Issuer otherwise. For the avoidance of doubt, the giving of notice by the Portfolio Option Holder as described in paragraph (b) above shall not restrict the Portfolio Option Holder from exercising the Portfolio Option or from requiring the Issuer to effect a Market Portfolio Sale, provided that Portfolio Option Holder shall not be entitled to exercise the Portfolio Option during a Portfolio Option Suspension Period and a Market Sale Instruction may not be given and a Market Portfolio Sale may not be commenced during a Market Sale Suspension Period. Following the expiry of a Portfolio Option Suspension Period, the Portfolio Option Holder will have the right to exercise the Portfolio Option or either of the rights set out in paragraph (a) or (b) above and following the expiry of the Market Portfolio Suspension Period, the Portfolio Option Holder will have the right to exercise either of the rights set out in paragraph (a) or (b) above.

If, by a date falling 9 months after the Portfolio Option Commencement Date, the Issuer does not receive any notifications from the Portfolio Option Holder that either the Portfolio Option or one of the options set out in paragraph (a) or (b) above is being exercised, the Issuer shall instruct the Liquidation Agent to commence the process of effecting a Market Portfolio Sale.

#### *Purchase Price*

The purchase price for the Portfolio under the Portfolio Option shall be an amount which:

- (a) after any withholding or deduction on account of tax; and
- (b) after taking into account (i) any collections of principal, interest and other amounts received on the Loans in the Collection Period immediately preceding the Collection Period in which

the Target Portfolio Purchase Completion Date falls and (ii) any amount standing to the credit of Retained Principal Receipts Ledger and the Liquidity Reserve Ledger (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date),

shall be equal to the sum of:

- (i) the aggregate Principal Amount Outstanding of the Notes plus accrued interest thereon (calculated as at the Target Portfolio Purchase Completion Date); and
- (ii) any fees, costs and expenses of the Issuer payable senior to principal and interest on the Notes in accordance with the applicable Pre-Acceleration Priority of Payments,

(the "**Portfolio Option Purchase Price**").

In connection with the exercise of the Portfolio Option, the Portfolio Option Holder or the Third Party Purchaser (as applicable) will agree with the Issuer to either (i) deposit an amount equal to the Portfolio Option Purchase Price in either an escrow account in the name of the purchaser or in any other account as may be agreed between the Issuer and the Portfolio Option Holder or (as applicable) the Third Party Purchaser or (ii) provide irrevocable payment instructions for an amount equal to the Portfolio Option Purchase Price, provided that such deposit shall be made or irrevocable payment instructions shall be given by no later than (x) four Business Days prior to the Target Portfolio Purchase Completion Date or (y) such other date as the Issuer, at its sole discretion and the Portfolio Option Holder or (as applicable) the Third Party Purchaser may agree, provided further that the Portfolio Option Purchase Price or as applicable irrevocable payment instructions must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*).

If, at the time the Portfolio Option is exercised, the Issuer does not hold legal title to the Loans and the Related Security, then it shall direct that the holder or holders of the legal title to the Portfolio Option Loans and the Related Security serve all relevant notices and take all steps (including carrying out requisite registrations and recordings) in order to effectively vest the legal title to the Loans and their Related Security in the purchaser of legal title named as such in the Exercise Notice, in each case subject to the terms and conditions set out in the Deed Poll, such notices to be given promptly after the Target Portfolio Purchase Completion Date.

The Portfolio Option Purchase Price shall form part of the Available Principal Receipts and will be applied in accordance with the Principal Priority of Payments to redeem the Notes in full on the Target Portfolio Purchase Completion Date.

Principal Receipts and Revenue Receipts received in respect of the Loans and their Related Security shall, with effect from the Monthly Pool Date immediately preceding the Target Portfolio Purchase Completion Date accrue to the account of the purchaser of beneficial interest in the Loans and their Related Security.

### **Market Sale of Portfolio**

In the event that (a) the Portfolio Option Holder directs the Issuer to sell (pursuant to a Market Portfolio Sale) the Loans and their Related Security, pursuant to the rights granted to it under the Deed Poll, or (b) the Issuer has not received a notification from the Portfolio Option Holder notifying the Issuer of the exercise of any of the options described in the section titled "*Portfolio Option*" above by a date falling nine months after the Portfolio Option Commencement Date, or (c) the Issuer is required to or proposes to exercise its rights to redeem all of the Notes under the terms and conditions of the Notes other than on the Final Maturity Date, the Issuer will instruct (the "**Market Sale**

**Instruction**) the Liquidation Agent to effect a sale of all the Loans and their Related Security pursuant to an auction process (a "**Market Portfolio Sale**"). The Liquidation Agent may elect to conduct the auction process itself or appoint a portfolio manager (the "**Portfolio Manager**") to conduct the auction process.

Any instruction in relation to seeking offers for a Market Portfolio Sale will only be given to the Liquidation Agent after the Issuer has obtained an opinion from an appropriately qualified and experienced United Kingdom tax adviser that neither the process of seeking bids, nor selling the portfolio to successful bidders should cause the Issuer to cease to be taxed in accordance with the Taxation of Securitisation Companies Regulations 2006 (as amended).

The Liquidation Agent (or the Portfolio Manager acting on its behalf) shall not consider any offers for a Market Portfolio Sale until such party has received three market bids (the "**Market Sale Minimum Bids**"). The minimum purchase price payable in respect of such Market Portfolio Sale shall:

- (a) after any withholding or deduction on account of tax; and
- (b) after taking into account (i) any collections of principal, interest and other amounts received on the Loans in the Collection Period immediately preceding the Collection Period in which the Target Portfolio Purchase Completion Date falls and (ii) any amount standing to the credit of Retained Principal Receipts Ledger and the Liquidity Reserve Ledger (to be used as Available Principal Receipts on the Target Portfolio Purchase Completion Date),

be equal to the sum of:

- (A) the aggregate Principal Amount Outstanding of the Notes plus accrued interest thereon (calculated as at the Target Portfolio Purchase Completion Date);
- (B) any fees, costs and expenses of the Issuer payable senior to principal and interest on the Notes in accordance with the applicable Pre-Acceleration Priority of Payments; and
- (C) costs incurred or to be incurred by the Issuer on the auction process (including without limitation, the fees and expenses payable to the Portfolio Manager and the expenses incurred by the Portfolio Manager in relation to the auction process) (the "**Market Sale Minimum Price**").

Under the Liquidation Agent Agreement, the Liquidation Agent will agree and will procure that the Portfolio Manager will agree (i) not to accept any offers or bids to purchase the Portfolio which are lower than the Market Sale Minimum Price; and (ii) to be bound to accept any offer or bid to purchase the Portfolio which is in an amount at least equal to the Market Sale Minimum Price (and where two or more offers satisfy this condition, to accept the bid which, in its view, is the strongest bid for the purchase of the Portfolio (having regard to the price offered, execution risk and any other factors considered necessary by the Liquidation Agent or (as applicable) the Portfolio Manager (such accepted offer price, the "**Market Portfolio Purchase Price**").

It shall also be one of the conditions of submitting a bid that either (i) the purchaser of legal title to the Loans has all the Relevant Authorisations or (ii) the purchaser of beneficial interest in the Loans has identified a servicer who has the Relevant Authorisations.

The Market Portfolio Sale will also be subject to the following conditions:

- (a) either (i) each of the purchasers of the legal and beneficial title in the Loans and their Related Security is resident for tax purposes in the United Kingdom, or (ii) each of the Issuer, the Legal Title Holders and the Seller, having received tax advice from an appropriately qualified

and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs), is satisfied that sale of legal and beneficial title in the relevant Loans will not expose the Issuer, the Legal Title Holders or the Seller to a risk of loss in consequence of United Kingdom income tax being required to be withheld from amounts paid in respect of the Loans;

- (b) either (i) the purchaser of the legal title to the Loans has all the Relevant Authorisations or (ii) the purchaser of the beneficial interest in the Loans has appointed a servicer who has the Relevant Authorisations;
- (c) the purchaser of the beneficial interest in the Loans and their Related Security shall not be permitted to transfer the beneficial interest in the Loans and their Related Security to any further purchaser until the transfer of the legal title to the Loans and their Related Security in favour of the purchaser of legal title to the Loans and their Related Security is perfected unless such transfer of beneficial interest is made to an entity which is within charge to UK Corporation tax.

The tax advice referred to in paragraph (a) above shall be obtained at the cost of the purchaser of the beneficial interest in the Loans.

In the event the Market Portfolio Sale is deemed an Unsuccessful Market Portfolio Sale, the Liquidation Agent shall (or shall instruct the Portfolio Manager to) seek bids from potential purchasers in relation to the Loans and their Related Security. The process of repeating the process of seeking bids shall commence on the date falling 60 days prior to the third Interest Payment Date following the date on which a Market Portfolio Sale is deemed to be an Unsuccessful Market Portfolio Sale. The process of seeking bids shall be repeated in the manner set out in the Liquidation Agent Agreement until a successful bidder has been identified, provided that the Liquidation Agent shall not (and shall not instruct the Portfolio Manager to) commence a portfolio auction process during a Market Sale Suspension Period.

None of the Seller, the Legal Title Holders, the Security Trustee, the Note Trustee nor any member of the Co-op Bank Group will be required to provide any representations or warranties in relation to the Loans, the Mortgages and the Related Security. The Issuer will provide limited representations in relation to title to the Loans and their Related Security.

The proposed purchaser will agree with the Issuer to either (i) deposit an amount equal to the Market Portfolio Purchase Price in either an escrow account in the name of the proposed purchaser or in any other account as may be agreed between the Issuer and the proposed purchaser, or (ii) provide irrevocable payment instructions for an amount equal to the Market Portfolio Purchase Price, provided that such deposit shall be made or irrevocable payment instructions shall be given by no later than (x) four Business Days prior to the Target Market Portfolio Purchase Date or (y) such other date as the Issuer, at its sole discretion, and the proposed purchaser may agree, provided further that the Market Portfolio Purchase Price or, as applicable, irrevocable payment instructions must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*).

In connection with the Market Portfolio Sale, the beneficial title to the Loans will be transferred to the purchaser on the Interest Payment Date designated as the Target Market Portfolio Purchase Date. However, the perfection of the transfer of the legal title to the Loans and the giving of notices of such transfer to the Borrowers may take place after the Target Market Portfolio Purchase Date.

If at the time the Market Portfolio Sale is effected, the Issuer does not hold legal title to the Loans and their Related Security, then the Issuer shall request the holder of the legal title to the Loans and their Related Security serve all relevant notices and take all steps (including carrying out requisite registrations and recordings) in order to effectively vest the legal title to the Loans and their Related Security in the entity nominated by the successful bidder to hold legal title, such notices to be given promptly after the Target Portfolio Purchase Completion Date.

The Market Portfolio Purchase Price shall form part of the Available Principal Receipts and will be applied in accordance with the Principal Priority of Payments to redeem the Notes in full on the Target Market Portfolio Purchase Date.

Principal Receipts and Revenue Receipts received in respect of the Loans and their Related Security shall, with effect from the Monthly Pool Date immediately preceding the Target Market Portfolio Purchase Date accrue to the account of the purchaser of beneficial interest in the Loans and their Related Security.

### **Redemption of Notes**

On the Target Portfolio Purchase Completion Date or as applicable the Target Market Portfolio Purchase Date, the Note will be redeemed in full.

"**Deed Poll**" means the portfolio option deed and deed poll dated on or about the Closing Date, executed by the Issuer, in favour of the Portfolio Option Holder from time to time.

"**Exercise Notice**" means a notice to be delivered by the Portfolio Option Holder in accordance with the Deed Poll to exercise the Portfolio Option.

"**Liquidation Agent**" means PricewaterhouseCoopers LLP in its capacity as Liquidation Agent under the Liquidation Agent Agreement.

"**Liquidation Agent Agreement**" means the agreement so named dated on or about the Closing Date between, among others, the Issuer and the Liquidation Agent.

"**Portfolio Option Commencement Date**" means a date falling 60 days prior to the Interest Payment Date that falls on or after 5 years from the Closing Date.

"**Target Market Portfolio Purchase Date**" means the Interest Payment Date designated as the date on which the Market Portfolio Purchase shall be completed, which, for the avoidance of doubt, shall be an Interest Payment Date following the Market Sale Instruction.

"**Target Portfolio Purchase Completion Date**" means the date identified as the date on which the Portfolio Purchase is expected to be completed pursuant to the terms of the Deed Poll, which, for the avoidance of doubt shall be an Interest Payment Date following the Portfolio Option Commencement Date.

## **USE OF PROCEEDS**

The Issuer will use the net proceeds of the Notes which are estimated to be £304,319,000 to: (a) pay the Initial Consideration payable by the Issuer for the Portfolio to be acquired from the Seller on the Closing Date, (b) fund Initial Expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date, (c) fund the Retained Principal Required Amount and (d) fund the Liquidity Reserve Ledger up to the Liquidity Reserve Target.

## RATINGS

The Notes, on issue, are expected to be assigned the following ratings by DBRS and S&P. The Residual Certificates are not expected to be rated. In the case of S&P, ratings address ultimate payment of interest and principal on the notes.

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 (including, without limitation, a reduction in the credit rating of the Citi Account Bank in the future) so warrant.

<b>Class of Notes</b>	<b>DBRS</b>	<b>S&amp;P</b>
Class A Notes .....	AAA	AAA
Class B Notes .....	AA	AA
Class C Notes .....	A(l)	A
Class D Notes .....	BBB(h)	BBB+
Class E Notes .....	BB(h)	B
Class F Notes.....	N/A	N/A

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under the CRA Regulation.

## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales on 22 May 2019 (registered number 12012415) as a public limited company under the Companies Act 2006 as Warwick Finance Residential Mortgages Number Four PLC. The registered office of the Issuer is 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0) 20 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, of which one share is fully paid-up and 49,999 shares are one quarter paid-up, each of which are beneficially owned by Holdings (see "*Holdings*").

The Issuer has no subsidiaries and does not control, directly or indirectly, any other company. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer.

The Issuer's Articles of Association do not have an objects clause so the Issuer's objects are unrestricted. The Issuer has been established as a special purpose vehicle solely for the purpose of issuing asset backed securities. The activities of the Issuer will be restricted by the Transaction Documents and will be limited to the issue 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 (as amended), the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide to the Issuer certain directors, a registered and administrative office, the arrangement of meetings of directors and shareholders and procure the service of a company secretary. 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 nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issue of the Notes and Residual Certificates 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. As at the date of this Prospectus, no statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. So long as the Notes are admitted to trading on Euronext Dublin, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Issuer and the Principal Paying Agent in London. 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 2019.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the Issuer Profit Amount Ledger, the Retained Principal Receipts Ledger and the Liquidity Reserve 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>
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London	Corporate Director



<b>Name</b>	<b>Business Address</b>	<b>Business Occupation</b>
Daniel Jaffe	EC3A 6AP 35 Great St. Helen's, London EC3A 6AP	Director

The directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their principal activities are as follows:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director and Company Secretary
Nella Liburd	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Jackie Sarpong	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Vanna De Rose	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Doug Armour	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Tom Litchfield	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Aimee Bibizadeh	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Jordina Walker	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Andrea Williams	35 Great St. Helen's, London EC3A 6AP	Director
Clive Short	35 Great St. Helen's, London EC3A 6AP	Director
Michelle O' Flaherty	35 Great St. Helen's, London EC3A 6AP	Director

The company secretary of the Issuer is Intertrust Corporate Services Limited whose principal office is at 35 Great St. Helen's, London EC3A 6AP.

The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus.

## HOLDINGS

### Introduction

Holdings was incorporated in England and Wales on 22 May 2019 (registered number 12011898) as a private limited company under the Companies Act 2006 (as amended) as Warwick Finance Residential Mortgages Holdings Number Four Limited. The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The authorised share capital of Holdings comprises 100 ordinary shares of £1 each. The issued share capital of Holdings comprises 1 ordinary share of £1. Intertrust Corporate Trustee Limited (the "**Share Trustee**") holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the beneficial interest in the issued share capital of the Issuer.

Neither the Seller nor any company connected with the Seller can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer. Holdings does not have any control, direct or indirect, of any company other than the Issuer.

Holding's Articles of Association do not have an objects clause so Holding's objects are unrestricted.

Holdings has not engaged since its incorporation in any material activities other than those activities incidental to the authorisation and implementation of the 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 issued share capital of the Issuer is beneficially owned by Holdings. Holdings is not party to any Transaction Documents (other than the Master Definitions and Construction Schedule and the Corporate Services Agreement). Its role within the transaction is limited to holding the shares of the Issuer.

### Directors

The directors of Holdings and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Intertrust Directors1 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Daniel Jaffe	35 Great St. Helen's, London EC3A 6AP	Director

The directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their principal activities are as follows:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director and Company Secretary
Nella Liburd	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Jackie Sarpong	35 Great St. Helen's, London	Company Secretary

Vanna De Rose	EC3A 6AP 35 Great St. Helen's, London	Company Secretary
Doug Armour	EC3A 6AP 35 Great St. Helen's, London	Company Secretary
Tom Litchfield	EC3A 6AP 35 Great St. Helen's, London	Company Secretary
Aimee Bibizadeh	EC3A 6AP 35 Great St. Helen's, London	Company Secretary
Jordina Walker	EC3A 6AP 35 Great St. Helen's, London	Company Secretary
Andrea Williams	EC3A 6AP 35 Great St. Helen's, London	Director
Clive Short	EC3A 6AP 35 Great St. Helen's, London	Director
Michelle O' Flaherty	EC3A 6AP 35 Great St. Helen's, London	Director

The company secretary of Holdings is Intertrust Corporate Services Limited whose principal office is at 35 Great St. Helen's, London EC3A 6AP.

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2019.

Holdings has no employees.

## THE CO-OPERATIVE BANK P.L.C.

### Overview

The business of the Co-operative Bank p.l.c. (the "**Bank**") has a history dating back to 1872 as the original "Loans and Deposit" department of Co-operative Wholesale Society Limited. Since its establishment, the Bank's aim has been to provide an ethical alternative to larger competitors.

The Bank's vision is to be an efficient and financially sustainable UK retail and Small to Medium sized Enterprises ("**SME**") bank that is distinguished by its values and ethics. These are underpinned by a customer led ethical policy which has been developed over 25 years and is unique within the UK banking market.

### History & Development

**1872:** The Bank was formed as the banking department of the Co-operative Wholesale Society Limited ("**CWS**").

**1970:** The Bank was incorporated as a separate legal entity, The Co-operative Bank Limited.

**1973:** Transfer of the business of the banking department of the former Scottish Co-operative Wholesale Society to the Bank.

**1975:** The Bank obtained clearing bank status.

**1981:** The Bank re registered under the Companies Act 1980 as a public company.

**1993:** The Bank re registered in its present name.

**2001:** CWS changed its name to Co operative Group (CWS) Limited.

**2007:** Co-operative Group (CWS) Limited changed its name to Co operative Group Limited following the merger with United Co operatives Limited.

**2009:** The Bank merged with Britannia Building Society. The retail residential lending and savings franchise transferred from Britannia and the pre merger businesses of the Bank continue to trade as separate businesses under the "Britannia", "The Co operative Bank" and "smile" brand names respectively.

**2013:** To meet a £1.5 billion "CET1" capital shortfall, Co operative Group and the Bank completed a recapitalisation plan (the "**2013 Recapitalisation Plan**"), announced on 17 June 2013, which included: the "2013 Liability Management Exercise"; CET1 capital contributions from Co-operative Group subsidiary, the Co-operative Banking Group ("**CBG**"); and interest savings on securities surrendered in the 2013 Liability Management Exercise.

**2014:** During 2014, the Bank improved its capital position by successfully raising an additional £400 million of CET1 capital in May 2014.

**2015-2016:** The Bank successfully implemented a number of key turnaround measures, including: (i) significant Non core Business de leveraging; (ii) reductions in the Bank's operating base; (iii) addressing legacy conduct issues; and (iv) successfully remediating a breach of FCA Threshold Conditions (relating to non compliance in relation to the Bank's IT systems recoverability) confirmed by the FCA in 2017.

**2017:** The Bank completed a further liability management and capital raising exercise with existing investors that generated an additional £712.5 million of CET1 (before costs), including £250 million of new CET1 (the "**Restructuring and Recapitalisation**"). This activity significantly improved the Bank's CET1 ratio and total capital ratio to 24.7 per cent. as at 31 December 2017. The activity also included the creation of a newly incorporated, private holding company, the Co-operative Bank Holdings Limited (the "**Holding Company**", which at the time owned 100 per cent. of the Bank's shares.

The Bank completed a programme of activity to further embed a robust Risk Management Framework and governance oversight, and further improved its capital resilience through further non core deleveraging.

**2018:** The Bank accessed £1 billion of TFS funding, supporting positive new mortgage lending growth.

The sectionalisation of the Bank's share of the Pace pension scheme was completed, marking a key step towards full separation from Co-operative Group.

A new Chairman, Chief Executive Officer (CEO) and Chief Financial Officer (CFO) were appointed, together with a renewed executive leadership team. The board agreed on the Plan.

**2019 onwards:** The Bank is focused on the implementation of a multi year transformation. Through delivering the Bank's strategy and Plan, the Bank aims to improve profitability, and meet regulatory and loss absorbing capacity requirements.

## **Business Overview**

As at 30 June 2019, the Bank had total assets of £23,404.0 million (£23,102.8 million as at 31 December 2018) and approximately 4 million customers which are serviced through a network of 68 branches, two customer contact centres and digital banking channels (online and mobile banking). The Bank is based in Manchester and as at 31 December 2018 employed 2,759 people across the UK. The Bank operates through "The Co operative Bank", "Britannia" and "smile" brands, together with the Bank's intermediary mortgage brand, "Platform", offering a customer centric product range that is simple, clear, fair and transparent.

The Bank focuses on three market segments in the UK market:

### **Retail Deposits -**

- Personal current accounts for retail customers
- Fixed and variable saving products for retail customers

### **Retail Assets -**

- Residential and buy to let mortgages for retail customers;
- Home insurance (referral service only)
- Credit cards and overdraft facilities for retail customers

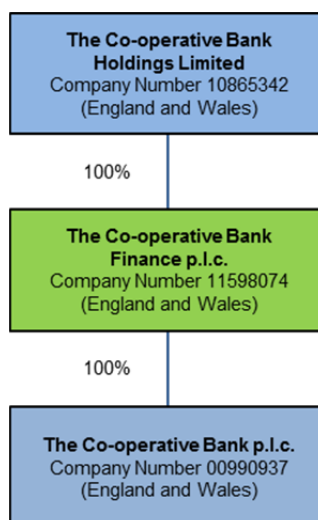
### **SME Banking -**

Business current accounts, deposits and lending tailored to small and medium sized businesses;

## Major Shareholdings

The Bank is a public limited company with debt securities listed on the London Stock Exchange. Its equity is not listed.

As at 30 June 2019, the Bank's sole shareholder is the Co-operative Bank Finance p.l.c. The sole shareholder of the Co-operative Bank Finance p.l.c is the Holding Company, which is a private company limited by share capital.



The Holding Company's share capital is divided into Class A ordinary shares of £0.0001 each (the "**A Shares**") and Class B redeemable preference shares of £0.01 each (the "**B Shares**"). The A shares are entitled to dividends to be paid out of the profits of the Holding Company, but the B Shares do not carry any right to participate in the profits of the Holding Company, except as provided for on a Bank Exit (any transaction or arrangement which results in the Holding Company ceasing to be the Bank's direct or indirect Holding Company or ceasing to hold directly or indirectly substantially all of the assets of the Bank) or IPO Exit (admission of the A Shares of the Holding Company to a securities exchange, as defined in the Holding Company Articles).

If at any time an A Shareholder (together with its affiliates): is the registered holder of equal to or greater than 10 per cent. of the A Shares then in issue; has been and is approved by the PRA as a Controller of the Company; and executes a deed of adherence to the B Shareholders' Agreement, (together, the "**Qualifying Conditions**"), such A Shareholder shall be deemed a 'Qualifying Shareholder' and the Holding Company shall have the power to allot and issue to them, one B Share for every 1 per cent. held of the A Shares then in issue (rounded down to the nearest whole percentage point). Each and every shareholder of B Shares (a "**B Shareholder**") is entitled to receive notice of, attend and vote at a general meeting of the Holding Company, with one vote in respect of each B Share registered in the name of the holder.

As at 30 June 2019, the B Shareholders of The Co-operative Bank Holdings Limited were

<b>B Shareholders</b>	<b>Percentage of B Shares</b>
Anchorage Illiquid Opportunities Offshore Master V.L.P	24.10%
SP Coop Investments, Ltd	22.89%
Goldentree Asset Management Lux S.A.R.L.	16.87%
Cyrus Opportunities Master Fund II Ltd	12.05%
Invesco Asset Management Limited for and on behalf of its discretionary managed clients via The Bank of New York Nominees Limited	12.05%
Blue Mountain Cayman SPC for and on behalf of Balloon SP	12.05%

## **Business and Principal Activities**

The Bank operates through "The Co-operative Bank", "Britannia" and "smile" brands, together with the Bank's intermediary mortgage brand, "Platform", offering a customer-centric product range that is simple, clear, fair and transparent.

### **Retail Deposits**

#### **Current Accounts**

As at 30 June 2019, the Bank had "Term" account balances of £4.0 billion, with approximately 617,000 primary current accounts (being accounts that turnover £800 or more per month on average).

#### **Savings and Franchise**

As at 30 June 2019 the Bank had £12.5 billion of retail customer deposit balances.

### **Retail Lending**

#### **Mortgage Lending and Insurance**

As at 30 June 2019, the Bank had a total outstanding mortgage portfolio of £4.5 billion issued under The Co-operative Bank brand and the Britannia brand and a total outstanding mortgage portfolio of £11.3 billion issued under the Platform brand. As at 30 June 2019, the Bank's total issued residential mortgage lending secured on residential property (excluding buy to let) was £14.6 billion and the total buy to let mortgage portfolio was £1.2 billion.

During the six months ended 30 June 2019, the Bank's total new mortgage completions amounted to £1.7 billion and total mortgage balances increased from £15.5 billion to £15.9 billion. Customer mortgages are currently originated exclusively through authorised brokers or intermediaries through the Platform channel.

Platform operates a dedicated brand within the UK intermediary market. Launched in February 2003, Platform was created from the merger of "Platform Home Loans" and "Verso", both former subsidiaries of Britannia. Platform is focused on prime residential mortgages and buy to let lending. Through Platform, the Bank holds extensive relationships with intermediaries across the UK.

The Bank's fixed rate mortgages currently offer a term of two, three or five years, with the fixed rate charged determined by the loan-to-value ratio and fixed rate duration of the mortgage in question.

As part of the Bank's strategy, the Bank intends to continue to offer a simple range of mortgage products without complex features and consistent with its risk appetite and market conditions.

The Bank continues to offer a home insurance proposition through a referral arrangement with Legal & General.

### **SME Banking**

The Bank served over 84,000 customers as at 30 June 2019, the majority of which were smaller UK enterprises and community organisations. The Bank offers a set of business current accounts which is supported by a simple savings proposition. As at 30 June 2019, the Bank had £2.0 billion of SME customer deposit balances. The Bank also offers a lending proposition for SME customers, offering a charge card to help businesses with cash flow management, a simple overdraft proposition, and a

variable rate loan proposition for lending between £25,000 and £250,000. As at 30 June 2019, the Bank had £208.4 million loans outstanding to SME customers.

## **Other**

In addition to the Bank's current product offering, the Bank also has a relatively small stock of historical residential mortgage and corporate assets ("the **Legacy assets**") which are inconsistent with the Bank's current business strategy and risk appetite. These Legacy assets have been actively deleveraged over a number of years and as at 30 June 2019 totalled £1.4 bn.

## **Information Technology**

The Bank's IT architecture supports the end-to-end activities of a full-service retail and business clearing bank.

The Bank relies on approximately 450 IT applications to support its range of retail and business financial products, customer services and the related business and operational support functions. These applications are hosted on IT infrastructure located in four strategic IBM data centres and five legacy data centres managed on behalf of the Bank by Co-operative Group.

The Bank's core systems consist of proprietary customer, account and payment solutions based on an IBM mainframe platform for heritage Co-operative Bank products, and IBM hosted mid-tier platforms for heritage Britannia products. This forms the basis of the Bank's IT architecture to which key vendor-supplied banking product and service platforms are connected to deliver regulatory-compliant banking functionality.

A certain amount of duplication of functionality remains within the Bank's IT applications estate, where the IT acquired with the Britannia merger in August 2009 still runs alongside the equivalent Bank applications. The most notable examples of this are the platforms that support mortgage and savings products. Elimination of this duplication represents a rationalisation and simplification opportunity for the Bank in its systems transformation plans.

The Bank utilises third-party IT-outsourced services for some "back-office" services (including HR, payroll and procurement), with an Oracle-based enterprise solution used by the Bank's finance function. The Bank continues to operate certain systems from the legacy data centres managed by Co-operative Group. The Bank aims to exit these legacy data centres by the end of 2019, either by further migration activity, by transitioning services to new suppliers or by implementing replacement services, each of which will allow duplicative systems to be decommissioned.

The next phase of the Bank's IT infrastructure plans are full separation from Co-operative Group, full replacement of legacy XP desktops with a Windows 10 solution and savings and mortgage platform software upgrades.

The Bank operates within its technology risk appetite as set within its Risk Management Framework.

## **Litigation, arbitration and regulatory proceedings in relation to the Bank**

The Bank is exposed to the inherent risks relating to the mis-selling of financial products, acting in breach of regulatory principles or requirements and giving negligent advice or other conduct determined by the Bank or the regulators to be inappropriate, unfair or non-compliant with applicable law or regulations. Any failure to manage these risks adequately could lead to further significant provisions, costs and liabilities and/or reputational damage. The Bank's approach to provisions for historic mis-selling issues such as PPI and packaged accounts is based on the views and requirements of the Regulators. Any change in the Regulator's current approach could have a material impact.



Along with the wider industry, the Bank must comply with regulatory changes which may add complexity to an already difficult technology, operational and prudential change programme.

## **PPI**

For a number of years, the Bank, along with many other financial services providers, sold PPI alongside mortgage and non-mortgage credit products. The Bank stopped selling unsecured loan PPI in January 2009, credit card PPI in November 2009 and mortgage PPI in March 2012. However, products still exist within the Bank which will include an element of PPI from historical sales.

In line with industry practice, provisions have been made in respect of potential customer complaints relating to historical mis-selling of PPI. Complaints are investigated on an individual basis and, where it is found that the Bank mis-sold PPI to customers (based on the FCA's policy statement 10/12 dated August 2010, which detailed how the FCA expects banks to investigate PPI complaints), compensation is paid to customers.

In November 2014, the Supreme Court handed down a decision in *Plevin v Paragon Personal Finance Ltd [2014] UKSC 61 (Plevin)*. The decision concerned the lack of disclosure to the customer by Paragon of the commission amounts received in respect of sales of PPI.

Following the decision, in March 2017, the FCA announced that a time-bar would come into effect on 29 August 2019 in respect of PPI complaints. The FCA also published new rules and guidance on the handling of complaints in light of the *Plevin* decision, with firms required to pay redress to customers in cases where a certain level of commission was received by the firm. The FCA further announced that it required firms to pro-actively contact customers whose PPI mis-selling complaints had previously been rejected by the Bank to advise them of the existence of the *Plevin* judgment referred to above and of the customer's ability to make another complaint. The Bank completed this pro-active mailing exercise in 2017 ahead of the FCA's deadline.

Since the implementation of the FCA's rules and guidance, following the *Plevin* decision, the Bank has received a low volume of PPI litigation claims (as opposed to complaints) from customers regarding the disclosure of commission. Customers are able to claim a higher level of redress via a litigation claim, than they would otherwise be awarded via a complaint under the FCA rules and guidance. The time-bar only applies to complaints, and so the Bank may continue to receive litigation claims beyond the time-bar.

Total PPI provisions of £540.3 million have been taken as at 30 June 2019 (£537.8 million as at 31 December 2018). As at 30 June 2019, the Bank had an unutilised provision of £38.7 million (31 December 2018: £67.8 million) in respect of potential customer redress and costs relating to past sales of PPI. The adequacy of the PPI provision is reviewed quarterly in the context of the Bank's own expectations of future complaint volumes and redress paid, wider industry claims experience, and the published views and requirements of the FCA. This review process will continue in the run-up to the time-bar and after the time-bar as the PPI operation is wound down.

Forecast future complaint and litigation claim volumes are difficult to predict, however the Bank received a high volume of complaints during 2018, driven mainly by claims management companies utilising the PPI-checking service to screen large numbers of possible cases before submitting them as formal complaints. Complaint volumes are not expected to decrease as the complaints deadline approaches, and in particular, the impact of (i) the recent communication regarding the Official Receiver's intention to submit PPI enquiries or complaints in respect of bankrupt customers; and (ii) FCA's final communications campaign and wider media coverage on future complaint volumes is unknown. As such, the Issuer and the Bank cannot be certain that complaint volumes will not exceed forecasts.

### **Further conduct issues**

While progress has been made in resolving conduct issues, no assurance can be given that further issues will not be identified, or that any such further or already identified issues may not require new or further provision, or that changes in regulation may not give rise to further conduct risks emerging.

As well as PPI, the Bank continues to monitor developments in certain product related areas, which are attracting increased focus, in some cases from both the courts and the Financial Ombudsman Service, including early repayment charges in both commercial and secured lending, variation of certain product terms and conditions and the related FCA remediation rules. To date, the Bank has seen a small number of complaints to the FOS in some of these areas. Changes in the approach to any of these issues in the market and/or increased complaints volumes, could adversely affect the Bank.

## **PLATFORM FUNDING LIMITED**

PFL was incorporated and registered in England and Wales under the Companies Act 1985 on 28 October 1997 as a private limited company with company registration number 3456337. The registered office of PFL is 1 Balloon Street, Manchester M60 4EP, England was established for the purpose of originating residential mortgage loans (including Buy-to-Let Loans) to borrowers in England, Wales, Scotland and Northern Ireland.

PFL is a wholly-owned direct subsidiary of the Co-operative Bank p.l.c..

## **GMAC-RFC**

GMAC-RFC Limited (currently known as Paratus AMC Limited) is a private limited company incorporated in England and Wales under the Companies Act 1985 on 6 January 1998. GMAC-RFC Limited originated mortgage loans to borrowers in England, Wales, Northern Ireland and Scotland until 2008. Following a change of ownership in October 2010, GMAC-RFC Limited has been renamed Paratus AMC Limited and its primary business is to provide mortgage administration services in the United Kingdom.

The registered office of GMAC-RFC Limited (currently known as Paratus AMC Limited) is at 5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA. It is not partly or wholly owned by any subsidiary of the Co-operative Bank p.l.c..

Information in relation to GMAC-RFC has been obtained from publicly available sources.

## **VERSO LIMITED**

Verso was a private limited company incorporated in England and Wales under the Companies Act 1985 on 21 May 1992. Verso has been dissolved following liquidation.

The registered office of Verso was at Hill House 1, Little New Street, London, EC4A 3TR. It was not partly or wholly owned by any subsidiary of the Co-operative Bank p.l.c..

Information in relation to Verso has been obtained from publicly available sources.

## **KENSINGTON MORTGAGE COMPANY LIMITED**

KMCL is a private limited company incorporated in England and Wales under the Companies Act 1985 on 26 April 1995. KMCL is a special purpose company established solely for the purpose of advancing or acquiring residential mortgage loans to borrowers in England, Wales and Scotland.

The registered office of KMCL is at Ascot House, Maidenhead Office Park, Maidenhead, SL6 3QQ. It is not partly or wholly owned by any subsidiary of the Co-operative Bank p.l.c..

Information in relation to KMCL has been obtained from publicly available sources.

## **SOUTHERN PACIFIC MORTGAGE LIMITED**

SPML is a private limited company incorporated in England and Wales under the Companies Act 1985 on 15 October 1996.

The registered office of SPML is Hays Galleria, 1 Hays Lane, London, SE1 2RD. It is not partly or wholly owned by any subsidiary of the Co-operative Bank p.l.c..

Information in relation to SPML has been obtained from publicly available sources.

## **MORTGAGE AGENCY SERVICES NUMBER TWO LIMITED**

Mortgage Agency Services Number Two Limited ("**MAS2**") was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 16 February 1988 with company registration number 02221553. The registered office of MAS2 is Secretariat, 1 Angel Square, Manchester, M60 0AG. MAS2 was previously engaged in mortgage and corporate lending. Following the transfer of business to the Seller in 2016, MAS2 is no longer trading.

MAS2 is a wholly-owned subsidiary of the Co-operative Bank p.l.c..



## **MORTGAGE AGENCY SERVICES NUMBER FOUR LIMITED**

Mortgage Agency Services Number Four Limited ("**MAS4**") was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 19 April 2002 with company registration number 4420580. The registered office of MAS4 is Secretariat, 1 Angel Square, Manchester, M60 0AG. Its principal activities relate to mortgage lending. Following a business transfer to the Seller in 2016, MAS4 no longer undertakes any mortgage originations and has residual mortgage assets in its balance sheet relating to mortgages originated and purchased prior to 1 April 2016. MAS4 is a wholly-owned subsidiary of the Co-operative Bank p.l.c..

## **MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED**

Mortgage Agency Services Number Five Limited ("**MAS5**"), was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 19 April 2002 with company registration number 4420522. The registered office of MAS5 is Secretariat, 1 Angel Square, Manchester, M60 0AG. Its principal activities relate to mortgage lending. Following a business transfer to the Seller in 2016, MAS5 no longer undertakes any mortgage originations and has residual mortgage assets in its balance sheet relating to mortgages originated and purchased prior to 1 April 2016.

MAS5 is a wholly-owned subsidiary of the Co-operative Bank p.l.c..

## **MORTGAGE AGENCY SERVICES NUMBER SIX LIMITED**

Mortgage Agency Services Number Six Limited ("**MAS6**") was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 13 November 2003 with company registration number 04962868. The registered office of MAS6 is Secretariat, 1 Angel Square, Manchester, M60 0AG. MAS6 was previously engaged in mortgage and corporate lending. Following the transfer of business to the Seller in 2016, MAS6 is no longer trading. MAS6 is a wholly-owned subsidiary of the Co-operative Bank p.l.c..

## **CITI ACCOUNT BANK**

Citibank, N.A. is a company incorporated with limited liability in the United States of America under the laws of the City and State of New York on 14 June 1812 and reorganised as a national banking association formed under the laws of the United States of America on 17 July 1865 with Charter number 1461 and having its principal business office at 388 Greenwich Street, New York, NY 10013, USA and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with a foreign company number FC001835 and branch number BR001018.

The London Branch is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the Prudential Regulation Authority. It is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority.

## THE NOTE TRUSTEE AND SECURITY TRUSTEE

U.S. Bank Trustees Limited (registered number 02379632) will be appointed pursuant to the Trust Deed as Note Trustee for the Noteholders. It will also be appointed pursuant to the Deed of Charge as Security Trustee for the Secured Creditors.

U.S. Bank Trustees Limited's registered office is at 125 Old Broad Street, Fifth Floor, London EC2N 1AR.

U.S. Bank Trustees Limited will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties thereunder or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. U.S. Bank Trustees Limited will not be liable to any Noteholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Charged Property and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Note Trustee and Security Trustee, respectively, is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Seller and/or any of their respective subsidiaries and affiliates and any other person whatsoever and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Seller and/or any of their respective subsidiaries and affiliates and any other person whatsoever, (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, the Noteholders or the other Secured Creditors 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.

## INTERTRUST MANAGEMENT LIMITED

Intertrust Management Limited (registered number 03853947), having its principal address at 35 Great St. Helen's, London, EC3A 6AP will be appointed to provide corporate services to the Issuer and Holdings pursuant to the Corporate Services Agreement.

Intertrust Management Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer, the Security Trustee and each other party to the Corporate Services Agreement, **provided that** a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

## WESTERN MORTGAGE SERVICES LIMITED

WMS was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 26 April 1996 with company registration number 3191608. The registered office of WMS is 30 Berners Street, London W1T 3LR.

Following the acquisition of Western Trust and Savings Limited ("**WTS**") in July 1995 by Birmingham Midshires Building Society, WMS acquired from WTS its mortgage servicing infrastructure. WMS was acquired by the Britannia Building Society ("**Britannia**") on 27 January 1997 and the shares subsequently transferred to Britannia Treasury Services Limited. Following the Merger, WMS became a subsidiary of the Co-operative Bank p.l.c..

On 1 August 2015 Capita Asset Services (UK Holding) Limited entered into an agreement under which it acquired one hundred per cent. of the shares in WMS from Britannia Treasury Services Limited (a subsidiary of the Bank). On the same date, WMS entered into a master services agreement with the Bank and certain Bank subsidiaries, under which WMS will service the Bank's mortgage processing and administration operations.

The terms of this agreement comprise the servicing of more than 176,662 mortgage accounts and £19.9bn of lending. WMS employs approximately 665 staff for the servicing the mortgage portfolios (figures at June 2019).

WMS continues to service third party portfolios previously serviced by WMS through different contractual arrangements.

The WMS mortgage administration services are run and managed predominantly by dedicated WMS IT staff from their own premises in Plymouth. Various local IT upgrades have been undertaken over the last few years in WMS to ensure the systems are maintained in line with the requirements of the business. WMS technology is maintained under vendor support contracts. A Disaster Recovery arrangement exists with a specialist third party provider and disaster recovery simulation test was completed in November 2014. WMS also carry out an IT test every 6 months one of which includes a full business test.

WMS maintains some dependency on certain of the Bank's IT systems located in Leek, Staffordshire, which remain part of the Bank's IT estate following the sale. These systems support, amongst other aspects, the arrears management and application processing and as described further in "*The Co-operative Bank p.l.c. – Information Technology*".

## **HOMELoAN MANAGEMENT LIMITED**

Homeloan Management Limited ("**HML**") is a private limited company registered in England and Wales under company number 02214839. HML, which is regulated by the FCA is part of the Computershare group which forms the largest third party residential mortgage servicer in the United Kingdom. Computershare currently services over £51 billion of mortgages and loans, which represents over half of the outsourced mortgages in the United Kingdom.

The registered office of HML is The Pavilions, Bridgwater Road, Bristol, Avon, BS13 8AE and its principal place of business of HML is at Gateway House, Gargrave Road, Skipton, North Yorkshire, BD23 2HL, United Kingdom.

The information in the preceding two paragraphs has been provided solely by HML for use in this Prospectus. Except for the foregoing two paragraphs, HML and its affiliates do not accept responsibility for this Prospectus.



## THE LIQUIDATION AGENT

PricewaterhouseCoopers LLP ("**PwC**") is a limited liability partnership registered in England with registered number OC303525 which is authorised and regulated by the FCA for designated investment business. The registered office of PwC is 1 Embankment Place, London WC2N 6RH.

PwC has been appointed as the Liquidation Agent pursuant to the Liquidation Agent Agreement. Pursuant to the Liquidation Agent Agreement, PwC is responsible for the provision of certain services relating to the sale of the Portfolio in the event that (a) the Portfolio Option Holder directs the Issuer to sell the Loans and their Related Security pursuant to the rights granted to it under the Deed Poll, or (b) the Issuer has not received a notification from the Portfolio Option Holder notifying the Issuer of the exercise of any of the options described in the section titled "*Early Redemption of the Notes – Portfolio Option*" by a date falling nine months after the Portfolio Option Commencement Date, or (c) the Issuer is required to or proposes to exercise its rights to redeem all of the Notes under the terms and conditions of the Notes other than on the Final Maturity Date.

The information in the preceding paragraph has been provided by PricewaterhouseCoopers LLP solely for use in this Prospectus.

## THE LOANS

### **The Portfolio**

#### ***Introduction***

The following is a description of some of the characteristics of the Loans originated by the Originators and sold by the Seller and comprised in the Portfolio including details of loan types, the underwriting process, lending criteria and selected statistical information.

The Seller selected the Loans for transfer into the Portfolio using a system containing defined data on each of the qualifying loans. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans. This system also allows a limit to be set on some criteria. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. From this subset, loans are selected until the target balance for Loans has been reached, or the subset has been exhausted. After a pool of Loans is selected in this way, the constituent Loans are monitored so that they continue to comply with the Loan Warranties on the Closing Date, as applicable.

Unless otherwise indicated, the description that follows relates to types of loans that could be sold to the Issuer as part of the Portfolio as at the Closing Date.

#### ***The Portfolio***

The Portfolio from time to time after the Closing Date will comprise Loans advanced to the Borrowers upon the security of residential property situated in England, Wales, Northern Ireland and Scotland and on the Closing Date will consist of the Mortgages acquired pursuant to the Mortgage Sale Agreement, other than Mortgages which have been repaid or which have been repurchased from the Issuer pursuant to the Mortgage Sale Agreement (for example, following a breach of a Loan Warranty).

#### ***Characteristics of the Provisional Portfolio***

The tables set out in the chapter entitled "*Characteristics of the Provisional Portfolio*" set out information representative of the characteristics of the Provisional Portfolio as at the Portfolio Reference Date.

The balance of the Loans in the tables set out in the chapter entitled "*Characteristics of the Provisional Portfolio*" is shown as at the Portfolio Reference Date. The properties over which the Mortgages are secured have not been revalued for the purpose of the issue of the Notes. The valuations of such properties as set out in the following tables relate to the date of the initial mortgage loan valuation except to the extent that there have been Further Advances in which cases the most recent valuation is utilised. The characteristics of the Closing Date Portfolio as at the Closing Date may vary from those set out in the tables as a result of, *inter alia*, repayment or purchase of Loans prior to the Closing Date.

#### ***Security***

All of the Mortgages are secured by first ranking mortgages, or (in Scotland) standard securities.

## ***Interest Rate Types***

The Provisional Portfolio consists of:

- (a) 29.83 per cent. of the Mortgages which are LIBOR-Linked mortgages where the applicable rate of interest for each mortgage loan (the "**Mortgage Rate**") is (currently or after a specific period) calculated by reference to LIBOR plus a fixed margin or margins expressed as a percentage over LIBOR for the life of the mortgage (the "**LIBOR-Linked Mortgages**").

The Mortgage Rate payable under the LIBOR-Linked Mortgages is calculated as a specified margin, in excess of LIBOR quoted by the ICE Benchmark Administration Limited for three-month Sterling deposits (subject to rounding) on or about (i) in relation to the PFL Mortgages, the 1<sup>st</sup> day of March, June, September and December of each year, (ii) in relation to the GMAC Mortgages, the 12<sup>th</sup> day of March, June, September and December of each year;

- (b) 67.34 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate that is based on the Bank of England's base rate (as redetermined each calendar month referenced from the Bank of England's official bank rate), the "**Base Rate**" and the "**Base Rate Tracker Mortgages**") plus, for each mortgage, a fixed margin expressed as a percentage over Base Rate; and
- (c) 2.83 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate that is set by the entity entitled to set such rate in accordance with the applicable Mortgage Conditions, taking into account various factors such as the Bank of England Base Rate, the cost of funds to that entity, and interest rates charged by other mortgage lenders (the "**Standard Variable Rate Mortgages**"). The terms and conditions applicable to some Standard Variable Rate Mortgages contain limits on the quantum of increases in rates that may be applied to those Standard Variable Rate Mortgages.

(Please note that the above percentages may not add up to 100 per. cent. due to rounding.)

## **Characteristics of the Loans**

### ***Repayment terms***

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product including free valuations and payment of legal fees.

Loans are typically repayable on one of the following bases:

- *Repayment Loan*: the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid ("**Repayment Loans**");
- *Interest-only Loan*: the Borrower makes monthly payments of interest but not of principal; when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum ("**Interest-only Loans**"); and
- a combination of both these options.

In the case of either Repayment Loans or Interest-only Loans, the required monthly payment may alter from month to month for various reasons, including changes in interest rates.

For Interest-only Loans (but not Buy to Let Loans), because the principal is repaid in a lump sum at the maturity of the loan, the borrower is recommended to have some repayment mechanism (such as an investment plan) which is intended to provide sufficient funds to repay the principal at the end of the term.

Principal prepayments may be made in whole or in part at any time during the term of a Loan. A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all Accrued Interest, Arrears of Interest, any unpaid expenses and any applicable repayment fee(s).

Various methods are available to Borrowers for making payments on the Loans, including:

- direct debit instruction from a bank or building society account; and
- standing order from a bank or building society account.

### *Flexible Drawings*

In respect of certain loans originated by Verso, a credit facility was made available by the relevant lender and a Borrower may request at any time an additional drawing upon certain conditions. The conditions for Flexible Drawings for Verso Flexible Loans include: (i) the Borrower has to give at least 5 days' prior written notice of such request; (ii) the balance of the Loan after utilising the Flexible Drawing must not be greater than the agreed credit limit under the revolving credit agreement; (iii) the minimum amount of such drawdown must be at least £500 and; (iv) such drawdowns can be made at any time after the Borrower has made the first six monthly payments under their fixed sum loan, provided that the Borrower is not at the time of drawdown in breach of the terms and conditions of their fixed sum loan or the revolving credit agreement relating to the Verso Flexible Loan.

### *Capitalising Arrears*

In certain infrequent circumstances following the accrual of Arrears on a Loan, the relevant Borrower may "opt in" to capitalise such Arrears. "**Capitalisation**" is one of the longer term solutions available to manage Arrears, and it involves "zero-ising" the balance of Arrears and allowing that amount to be cleared over the remaining term of the Loan.

The Servicer shall assess and service any Capitalisation in accordance with the capitalisation policy section of the Seller's Policy as it applies to the relevant Loans from time to time.

"**Arrears**" means as at any date in respect of any Loan, all amounts currently due and payable on that Loan which remain unpaid on that date.

"**in Arrears**" means, in respect of a Mortgage Account when on any date any amounts currently due and payable on that Loan remain unpaid on that date.

### *Title to the Portfolio*

The Portfolio will consist of:

- (a) mortgages originated by PFL (the "**PFL Mortgages**");
- (b) mortgages arranged by Verso and originated by or on behalf of MAS1. The legal title to the mortgage loans are held by MAS2 while MAS1 held the beneficial title. The beneficial titles

were transferred by MAS1 to the Seller on 30 September 2016 (the "**Verso Mortgage Sale Agreements**") (the "**Verso Mortgages**");

- (c) mortgages originated by SPML where legal and beneficial title to such mortgage loans was sold to MAS2 under mortgage sale agreements dated 8 January 1999, 1 November 2003, 31 January 2004, 30 April 2004 and 29 November 2004 (the "**SPML Mortgage Sale Agreements**") (the "**SPML Mortgages**");
- (d) mortgages originated by GMAC-RFC where legal and beneficial title to such mortgage loans was sold to MAS4 under mortgage sale agreements dated 01 April 2002, 30 June 2003, 28 November 2003, 29 March 2004, 30 September 2004, 29 April 2005, 30 September 2005 and 27 January 2006 (the "**MAS4-GMAC-RFC Mortgage Sale Agreements**") (the "**MAS4 Mortgages**");
- (e) mortgages originated by GMAC-RFC where legal and beneficial title to such mortgage loans was sold to MAS5 under mortgage sale agreements dated 30 September 2005, 28 September 2007 and 28 September 2007 (the "**MAS5-GMAC-RFC Mortgage Sale Agreements**") (the "**MAS5 Mortgages**" and, together with the MAS4 Mortgages, the "**GMAC Mortgages**"); and
- (f) mortgages originated by KMCL where legal and beneficial title to such mortgage loans was sold to MAS6 under a mortgage sale agreements dated 28 June 2004, 21 March 2005 and 21 November 2005 (the "**Kensington Mortgage Sale Agreement**") (the "**Kensington Mortgages**").

In respect of the:

- (i) PFL Mortgages, beneficial (and, pending perfection in some cases, legal) title to such mortgages was acquired by and transferred to the Seller under a business transfer agreement dated 1 April 2016;
- (ii) GMAC Mortgages, beneficial title to such mortgages was acquired by and transferred to the Seller under mortgage sale agreements entered into between 2005 and 2007;
- (iii) SPML Mortgages, beneficial title to such mortgages was acquired by and transferred to the Seller under mortgage sale agreements entered into between 2003 and 2004;
- (iv) Verso Mortgages, beneficial title to such mortgages was transferred to the Seller on 30 September 2016; and
- (v) Kensington Mortgages, beneficial title to such mortgages was acquired by and transferred to the Seller under a mortgage sale agreement entered into on 21 November 2005.

As at the date of this Prospectus, the legal title to each of the PFL Mortgages is held by the Seller or Platform Funding Limited, the legal title to the Verso Mortgages is held by MAS2, the legal title to the SPML Mortgages is held by MAS2, the legal title to the MAS4 Mortgages is held by MAS4, the legal title to the MAS5 Mortgages is held by MAS5 and the legal title to the Kensington Mortgages is held by MAS6 (the Seller, PFL, MAS2, MAS4, MAS5 and MAS6 being, together, the "**Legal Title Holders**").

Pursuant to, and under the terms of a mortgage sale agreement entered into with, among others, the Seller, the Legal Title Holders and the Security Trustee (the "**Mortgage Sale Agreement**"), dated on or about the Closing Date, the Seller will transfer the beneficial title to the Mortgages, with a right to call for the legal title thereto, to the Issuer.

In the case of the Mortgages over registered land in England and Wales which will be transferred to the Issuer on the Closing Date, the Legal Title Holders have agreed to remain on the relevant English Land Registry as the legal mortgagee.

In the case of the Mortgages over registered land in Scotland and Northern Ireland which will be transferred to the Issuer on the Closing Date, the Legal Title Holders have agreed to remain on the relevant Northern Irish Land Register or Registers of Scotland as the legal mortgagee or as heritable creditor.

None of the above-mentioned transfers to the Issuer is to be completed by registration at the Land Registry, the Registers of Scotland, or the Land Registry of Northern Ireland and Registry of Deeds, Belfast (the "**Registers of Northern Ireland**") (if applicable) or notice given to the relevant Borrowers until the occurrence of one of the events mentioned below. The English Mortgages in the Portfolio and their collateral security are accordingly owned in equity only by the Issuer pending such transfer and the Scottish Mortgages in the Portfolio and their collateral security are accordingly held on trust for the Issuer pending such transfer. Legal title in the Mortgages and their collateral security continues to be vested in the relevant Legal Title Holder. Each Legal Title Holder has agreed to transfer legal title to the Mortgages and their collateral security to the Issuer, and the Issuer has undertaken to seek the transfer of legal title, only in the circumstances set out below.

The Issuer will grant a first fixed charge in favour of the Security Trustee over its interest in the Mortgages (being, in respect of the Scottish Mortgages an assignation in security of its interest in and to the Scottish Declaration of Trust and the trust constituted thereby).

Save as mentioned below, the Security Trustee has agreed that it will not effect any registration at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland (as the case may be) to protect the sale of the Mortgages to the Issuer or the granting of security over the Mortgages by the Issuer in favour of the Security Trustee nor, save as mentioned below, to obtain possession of title deeds to the properties the subject of the Mortgages.

Notices of the equitable assignments or declaration of trust in favour of the Issuer and the security in favour of the Security Trustee will not, save as mentioned below, be given to the Borrowers under the Mortgages.

Under the Mortgage Sale Agreement and the Deed of Charge, completion of the transfers to the Issuer will be effected and the Issuer and the Security Trustee will each be entitled to effect such registrations and give such notices as it considers necessary to protect their respective interests in the Mortgages, and to call for a legal assignment or assignation or transfer of the Mortgages in favour of the Issuer and a legal submortgage or sub-security over such Mortgages and collateral security in favour of the Security Trustee.

Under the Mortgage Sale Agreement and the Deed of Charge the Issuer and the Security Trustee have undertaken to take such steps only where, *inter alia*, (a) the relevant Legal Title Holder being required to perfect legal title to the Loans by (i) an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the relevant Legal Title Holder or (iii) by any organisation of which the relevant Legal Title Holder is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the relevant Legal Title Holder to comply, to perfect legal title to the Loans and their Related Security, (b) it becoming necessary by law to take any or all such actions referred to in (a) above, (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy, (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or (e) the occurrence of a Legal Title Holder Insolvency Event. Following such legal assignment, assignation or transfer and sub charge or

sub-security, the Issuer and the Security Trustee will each be entitled to take all necessary steps to perfect legal title to its interests in the Mortgages, including the carrying out of any necessary registrations, recordings and notifications. These rights are supported by irrevocable powers of attorney given by each of the Legal Title Holders pursuant to the Mortgage Sale Agreement.

### ***Warranties and Breach of Warranties in relation to the Mortgages***

The Mortgage Sale Agreement contains certain warranties given by the Seller in favour of the Issuer in relation to the mortgages sold to the Issuer pursuant to the Mortgage Sale Agreement.

No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer. The Issuer will rely entirely on the benefit of the warranties given to it under the Mortgage Sale Agreement.

If there is an unremedied breach of any of the warranties given under the Mortgage Sale Agreement and such breach causes a material adverse effect on the value of that Loan (as determined by the Servicer), then the Issuer shall demand that the Seller or any other subsidiary from to time of the Seller, as the Seller may elect as the purchaser of the Mortgages (a "**Relevant Purchaser**") purchase any Mortgage which is the subject of the relevant unremedied material breach for a consideration in cash equal to the Current Balance of the relevant Mortgage *plus* any Accrued Interest.

Pursuant to the terms of the Mortgage Sale Agreement, the Seller may transfer its obligations and liabilities (other than any obligations relating to retentions of 5 per cent. of the nominal value of the tranches sold or transferred to the investors) and assign its rights to one of its subsidiaries. In that event, the obligations, liabilities and rights of the Seller will become the obligations, liabilities and rights of the entity acquiring them.

### **PFL Lending Criteria**

The following is a summary of the criteria of PFL (the "**PFL Lending Criteria**") in relation to Loans to be secured on properties located in England, Wales, Scotland or Northern Ireland that were applied (subject to such deviation made in accordance with the standard of a Reasonable, Prudent Mortgage Lender) in respect of the PFL Mortgages to be sold under the Mortgage Sale Agreement.

#### *Security*

- (a) Each Loan is secured by a first ranking legal mortgage (an "**English Mortgage**") over a freehold or long leasehold residential property (usually at least 50 years longer than the mortgage term) in England or Wales (an "**English Property**"), or secured by a first ranking standard security (a "**Scottish Mortgage**") over a heritable or long leasehold residential property (usually at least 50 years longer than the mortgage term) located in Scotland (a "**Scottish Property**") or secured by way of a first ranking legal mortgage or a first ranking legal charge (a "**Northern Irish Mortgage**") over a freehold or leasehold residential property (usually at least 50 years longer than the mortgage term) located in Northern Ireland (a "**Northern Irish Property**") (the English Mortgages, the Scottish Mortgages and the Northern Irish Mortgages are collectively defined as the "**Mortgages**" and an English Property, a Scottish Property and a Northern Irish Property are each a "**Property**" and are collectively defined as the "**Properties**").
- (b) Only property of an acceptable standard of construction and intended for use wholly or partly as a principal place of residence or under an assured shorthold tenancy or short assured tenancy is acceptable.

- (c) Properties under 10 years old will have the benefit of a NHBC or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following types of building are deemed unacceptable as security:
  - (i) properties listed as defective under the Housing Acts 1984 and 1985 or the Housing (Scotland) Act 1987 (unless rebuilt to NHBC standards with appropriate guarantees);
  - (ii) mobile homes or houseboats;
  - (iii) prefabricated buildings and unrepaired prefabricated reinforced concrete (PRC) properties;
  - (iv) property where a flying freehold (not applicable to Scottish Properties) exists affecting more than 15 per cent. of the whole;
  - (v) shared ownership properties;
  - (vi) properties whose construction includes high alumina cement;
  - (vii) buildings with agricultural restrictions, small holdings or farms;
  - (viii) buildings of 100 per cent. timber construction;
  - (ix) steel framed properties (except post 1987 construction with BBA or WIMLAS certification);
  - (x) multi occupied property;
  - (xi) tenanted property (except where the loan advanced is a Buy to Let Loan);
  - (xii) properties with commercial usage;
  - (xiii) live/work units; or
  - (xiv) flats in blocks of more than four storeys of accommodation are subject to individual consideration.
- (e) Each Property offered as security will have been valued by either a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by PFL or by an automated valuation model under which the valuation of the relevant Property was undertaken using Hometrack Data Systems Limited's automated valuation model by PFL.
- (f) At the time of completion, the relevant Property must either have been insured under a block buildings policy in the name of PFL, or PFL must have been jointly insured with the Borrower under, or its interest noted on, a buildings policy relating to the relevant Property.

***Loan Amount***

No Mortgage may exceed a maximum principal amount of £1,100,000 (including Further Advances).

***Loan to value***

- (a) The loan to value ratio ("**LTV**") is calculated by expressing the initial principal amount advanced at completion of the Mortgage as a percentage of the lower of the purchase price



and valuation of the Property (with the exception of Right to Buy Loans and sales at an undervalue where the valuation is used).

- (b) The LTV of each Mortgage at the date of completion must be no more than 95 per cent. (excluding fees).

### ***Term***

Each Mortgage must have an initial term of between 5 and 40 years.

### ***Borrowers***

- (a) Borrowers must have been at least 18 years of age prior to completion of the Loan.
- (b) A maximum number of two Borrowers are allowed to be parties to the Mortgage.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
  - (i) search supplied by a credit reference agency;
  - (ii) CAIS information;
  - (iii) confirmation of voters roll entries or proof of residency;
  - (iv) references from employers (and, in the case of mortgages originated by PFL, two payslips and a P60 form);
  - (v) accountant's certificate;
  - (vi) references from lenders; or
  - (vii) references from current landlords and previous landlords.
- (d) Explanations may be provided where a County Court Judgment (or its Scottish or Northern Irish equivalent) ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lender's or landlord's references or a Borrower has been subject to a Bankruptcy Order ("**BO**") or Individual Voluntary Arrangement ("**IVA**") (or their Scottish equivalent) and such explanations have been asked for at the underwriter's discretion.
- (e) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were subject to an IVA must have provided confirmation of satisfactory conduct of the IVA where appropriate.

### ***Income***

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of (i) salary plus additional regular remuneration for an employed Borrower or net profit plus any additional income confirmed by the accountant for a self employed Borrower (holding at least 25 per cent. of the issued share capital of the company), who is (except where the lender reasonably considers that the remuneration of the Borrower makes it appropriate to consider the Borrower as an employed Borrower), a partner in partnership, or a sole trader; (ii) pensions; (iii) investments; (iv) rental income; and (v) any other monies approved by an authorised official of the lender.

- (b) With the exception of certain allowable fees added to the aggregate balance of the Mortgage, the principal amount advanced will not exceed 10 times the assessed income of joint borrowers.
- (c) Customers who wish to self certify their income are required to make a full declaration of their total personal income on the application form and must still complete in full the employment section of the application form. Reasonability tests are applied to the customer's declared income with reference to their trade and location. Self certification of income by a customer to PFL was permitted by PFL until November 2009.
- (d) Borrowers with super pass credit scores may not have been required to provide evidence of income.

### ***Solicitors***

The firm of solicitors acting on behalf of the lender on the making of the Mortgage must be on the PFL Solicitors panel. If the applicant wishes to use a solicitor not on the PFL Solicitors panel then the lender will instruct one of the solicitors on the PFL Solicitors panel to act for the lender at the applicant's expense.

### ***Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 and the Housing (Northern Ireland) Order 1983 (as amended)***

Some Mortgages ("**Right to Buy Mortgages**") may be subject to the Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 (as amended) and the Housing (Northern Ireland) Order 1983 (as amended).

### ***Buy to Let Loans***

Loans to Borrowers who wish to purchase or remortgage residential property for the purpose of letting to third parties ("**Buy to Let Loans**") are governed by the same, or at times, more strict lending criteria than the Lending Criteria, including:

- (a) the maximum LTV of each Loan is 90 per cent., excluding fees;
- (b) the rental payment received by the Borrower in respect of the relevant Property is at least 110 per cent. of the Borrower's monthly payment under the Loan; and
- (c) a more limited adverse credit history from the Borrower.

### ***House Plus***

The House Plus product is a conforming Buy To Let product. Income earned by the Borrower replaces rental yield as the means by which the loan is repaid. The Borrower self certifies their income to purchase a Buy To Let property. Income multiples are applied in the standard way for Owner Occupied Residential loans. However, 7 per cent. of the residential mortgage balance is deducted from gross income before income multipliers are applied, to reflect existing mortgage commitments. Normal self certification reasonability and verification measures are also applied.

House Plus lending guidelines also include:

- (a) with the exception of certain allowable fees added to the aggregate balance, the maximum House Plus Loan is £1,000,000;

- (b) the maximum LTV for a House Plus Loan of £300,000 is 85 per cent.;
- (c) the maximum LTV for a House Plus Loan of £1,000,000 is 75 per cent.;
- (d) the maximum House Plus Loan in respect of mortgaged Property which has been constructed in the last 12 months is £300,000; and
- (e) only one House Plus Loan per Borrower/household is permitted.

#### ***Exceptions to the PFL Lending Criteria***

Exceptions to the PFL Lending Criteria may only be made by Platform Home Loans Limited ("**PHL**") mandate holders ("**PHL Mandate Holders**"). Within their individual mandate, PHL Mandate Holders may make any exception to the PFL Lending Criteria, **provided that** such exception is (i) in line with prudent mortgage lending in the non-conforming market and (ii) documented on the case.

#### ***Changes to PFL Lending Criteria***

PFL may vary the PFL Lending Criteria from time to time in the manner of a Reasonable, Prudent Mortgage Lender.

#### **GMAC-RFC Lending Criteria**

The following is a summary of the criteria of GMAC-RFC (the "**GMAC-RFC Lending Criteria**") that were applied (subject to GMAC-RFC taking reasonable steps to ensure it was the case (and that any discretions to deviate from such criteria were exercised in accordance with GMAC-RFC's policies)) in respect of the GMAC Mortgages.

#### ***Security***

- (a) GMAC-RFC requires a first legal charge over the Property. It must be used by the Borrower(s) for private residential purposes only. Full vacant possession must be obtained at completion and no part let or part possession will be accepted.
- (b) Mortgage properties are required to be valued using an automated valuation model ("**AVM Valuation**") or by a suitably qualified valuer on GMAC-RFC's approved panel of valuers, as agreed from time to time and managed and monitored by credit risk. For a Buy to Let Loan, the valuation report must provide an estimate of the rental income that may be obtained and must also provide comparables in line with the valuation.
- (c) Property securing a Buy to Let Loan must be let on a six or 12-month assured shorthold tenancy or on a company let not exceeding 36 months. It must be let within three months of completion of the Loan, and remain available for letting throughout the term of the Loan.
- (d) Property securing a Buy to Let Loan may not be occupied by the Borrower.
- (e) The following property types are considered unacceptable security:
  - (i) Freehold flats and maisonettes (in England & Wales only);
  - (ii) Residential flats above commercial premises, with an LTV of more than 85 per cent.;
  - (iii) Investment flats above commercial premises, with an LTV of more than 75 per cent.;
  - (iv) Studio flats;

- (v) Properties with unexpired lease term of less than 30 years at end of the mortgage term;
- (vi) Shared ownership properties;
- (vii) Tenanted properties (residential only);
- (viii) Investment properties (residential only);
- (ix) Commercial properties;
- (x) Properties subject to agricultural restrictions;
- (xi) Properties under ten years old without one of the following:
  - (A) NHBC Certificate;
  - (B) Zurich Municipal Guarantee;
  - (C) Architect's Certificate (RJOBA);
  - (D) Chartered Building Surveyor's Certificate; or
  - (E) Premier Guarantee;
- (xii) Properties where stage payments are required;
- (xiii) Unimproved/uninhabitable properties, i.e. no kitchen or bathroom;
- (xiv) Properties with two kitchens and/or multiple services on Buy to Let Loans;
- (xv) Properties with greater than two kitchens and/or multiple services on residential loans;
- (xvi) Prefabricated or large panel concrete construction (LPS);
- (xvii) Prefabricated reinforced concrete construction (PRC);
- (xviii) Concrete block construction designated Mundic;
- (xix) Properties of high alumina cement;
- (xx) BISF, metal and steel-framed properties;
- (xxi) Any property designated defective under the Housing Act;
- (xxii) Properties of 100 per cent. timber construction;
- (xxiii) Properties with ongoing structural movement or movement that requires monitoring;
- (xxiv) Underpinned properties where no guarantees are available;
- (xxv) Uninsurable properties, or properties subject to an ongoing insurance claim;
- (xxvi) Properties likely to be adversely affected by local planning, e.g. road widening;

- (xxvii) Properties where an unsatisfactory mining search is received;
- (xxviii) Grade 1 listed buildings;
- (xxix) Second homes/holiday homes;
- (xxx) Mobile homes and houseboats;
- (xxxi) Properties with land in excess of 5 hectares/12 acres; and
- (xxxii) Where the valuation report indicates:
  - (A) the interior/exterior condition of the property is poor and demand is poor; and/or
  - (B) the saleability of the property is affected by local factors and demand is poor.

### ***Loan size***

GMAC-RFC would not originate a Loan that was £25,000 or less at the time of completion. The maximum loan size is £1,100,000 for verified loans and £750,000 for self-certified Loans and £1,000,000 for Buy to Let Loans.

The loan to value ratio ("**LTV**") is calculated by dividing the gross principal amount (net of any fees) committed at completion of the Loan by the lower of the valuation of the Property or, in the case of a Loan made for financing the purchase of a Property, the disclosed purchase price (except in exceptional cases, i.e. where the purchase price that has been paid reflects a discount).

GMAC-RFC does not originate Loans with an LTV higher than 95 per cent. (89 per cent. for Buy to Let Loans), subject to exceptions in certain circumstances.

### ***Term***

Each Loan must have an initial term of between 5 and 30 years.

### ***Borrowers***

- (a) Borrowers must be natural persons, and have been at least 18 years of age (or, in the case of Buy to Let Loans, the primary applicant must be at least 25 years of age) prior to completion of the Loan and the term of mortgage loans usually must end before the primary applicant reaches his/her 76th birthday (subject to approved exceptions).
- (b) A maximum number of four Borrowers are allowed to be parties to a Loan or two Borrowers for Buy to Let Loans.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
  - (i) Search supplied by credit reference agency;
  - (ii) Confirmation of voters' roll entries or proof of residency;
  - (iii) Reduced referencing telephone call to applicant's employer to verify works there, unless selected for an audit, then a reference from current employers;

- (iv) Reduced referencing telephone call to applicant's accountant to confirm acts for applicant, unless selected for an audit, then an Accountant's certificate;
- (v) Reference from current lenders; and
- (vi) Reference from current landlords.

CCJs/defaults for Buy to Let Loans are permitted with a total value of £10,000. CCJs/defaults are permitted for all other loans and in these instances there will be no limit on the number or value of CCJs/defaults permitted. For self-certified Loans, where the CCJ/default has been satisfied/settled within the last 12 months, it will not be acceptable regardless of number or value. Where satisfaction of CCJs is a requirement of the Loan, a certificate of satisfaction must have been provided.

- (d) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were the subject of an IVA will have provided a confirmation of satisfactory conduct of the IVA where appropriate.

### ***Income***

Buy to Let Loans are deemed to be self-funding. Applicants will declare on the application form details of income and occupation, but no further information is required. Unemployed applicants will be unacceptable. Gross monthly rental income must be at least 100 per cent. of the monthly mortgage interest payments. Affordability is calculated at the current interest rate of the Loan or the Bank of England repo rate plus a reference margin. The reference margin ranges from 1.00 per cent. to 1.25 per cent.

### ***Solicitors***

GMAC-RFC will normally instruct the applicant's solicitor to act on its behalf provided that the firm meets the following criteria:

- (a) has a minimum of two partners;
- (b) has indemnity insurance in place (minimum £1,000,000); and
- (c) all partners have current practising certificates.

Sole practitioners will not be instructed to act on behalf of the company. Licensed conveyancers will not normally be instructed to act on behalf of the company.

### ***Exceptions/Changes to the GMAC-RFC Lending Criteria***

GMAC-RFC took reasonable steps at the time of origination of the GMAC-RFC Loans to ensure that the GMAC-RFC Lending Criteria were satisfied (and that any discretions were exercised in accordance with GMAC-RFC's policies).

### **KMCL Lending Criteria**

The following is a summary of the guidelines of KMCL (the "**Kensington Lending Criteria**") that were applied (subject to such deviation made in accordance with the standard of a Prudent Mortgage Lender) in respect of the Kensington Mortgages sold to MAS6 in the mortgage pool comprising the Loans in the Portfolio (the "**Mortgage Pool**"). Each Kensington Mortgage was originated in

accordance with the "very low adverse" or "low adverse" lending criteria of KMCL as set out in the relevant Kensington product matrix applicable at the time of origination of the Loan.

### *Security*

- (a) Each relevant Loan must be secured by a first legal mortgage over an English Property in England or Wales, the primary use of which is residential.
- (b) Only Property of standard construction intended for use wholly or partly as a principal place of residence is acceptable. A Property which may be let as a holiday letting is acceptable.
- (c) Properties under ten years old will have the benefit of an NHBC, Zurich, Premier guarantee or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following types of Property are deemed unacceptable as security:
  - Freehold flats and maisonettes;
  - Properties designated as defective under the Housing Defects Act 1984 or the Housing Act 1985;
  - Properties containing mundic block materials;
  - Properties purchased under the Local Authority Right-to-Buy Scheme;
  - Ex-Local Authority flats and maisonettes;
  - Properties with agricultural restrictions; and
  - Properties not wholly owned by the Borrower, where equity is retained by a builder/developer, housing association or other third party.
- (e) Each Property offered as security will have been valued by a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by Kensington or any of its relevant subsidiaries.
- (f) At the time of completion of each Mortgage, the relevant Property was insured under a policy with an insurance company against fire and other commercial risks for an amount not less than the full reinstatement value determined by a valuer approved by Kensington or any of its relevant subsidiaries and Kensington or any of its relevant subsidiaries became either the sole or a joint insured or its interest was noted by the insurers or, in the case of leasehold property, is covered by a landlord's buildings insurance policy, with, where possible, the interests of Kensington or any of its relevant subsidiaries and the mortgagor endorsed or deemed noted thereon, in each case, with a reputable insurance company agreed to by Kensington or any of its relevant subsidiaries against all risks usually covered by a Prudent Mortgage Lender when advancing money on the security of the property of the same nature to an amount not less than the full reinstatement value determined at or around the time the related Mortgage Loan was completed and Kensington or any of its relevant subsidiaries has not received notice of any circumstances giving the insurer thereunder the right to avoid or terminate the policy.
- (g) Relevant Loans may, in some cases, have the benefit of additional security by way of collateral security over one or more life insurance policies.

### ***Loan Amount***

Relevant Loans must be at least £25,001 (excluding fees and expenses). Relevant Loans (including Further Advances) will not exceed £1,000,000 at any time during the life of the relevant Loan.

### ***Loan to Value***

- (a) The loan to value ratio is calculated by dividing the gross principal amount advanced at completion of the relevant Loan by the value of the Property at origination of the relevant Loan or, in some cases, the lower of such valuation and the sale price (LTV).
- (b) The LTV of each relevant Loan at the date of the initial advance and any Further Advance must be no more than 95 per cent. (exclusive of any arrangement fee which may be added to the relevant Loan).

### ***Term***

Each relevant Loan must have an initial term of between 5 and 30 years and (except for a repayment loan) have no scheduled principal repayment prior to its stated final maturity.

### ***Borrowers***

- (a) Borrowers must be natural persons, and have been at least 18 years of age prior to completion of the relevant Loan.
- (b) A maximum number of four Borrowers are allowed to be parties to a relevant Loan.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
  - (i) Search supplies by credit reference agency;
  - (ii) Confirmation of voters' roll entries or proof of residency;
  - (iii) Reference from current employers;
  - (iv) Accountant's certificate;
  - (v) Reference from current lenders; and
  - (vi) Reference from current landlords.
- (d) Where a County Court Judgment ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders or landlords' references or a Borrower has been subject to a bankruptcy order ("**BO**") or individual voluntary arrangement (IVA), explanations should have been provided. Generally, a CCJ will be acceptable if it (i) was registered not less than two years before the Borrower's application for a loan, (ii) was satisfied not less than 12 months before the Borrower's application for a loan and (iii) related to a sum of not more than £100.
- (e) Where satisfaction of CCJs is a requirement of the relevant Loan, a certificate of satisfaction must have been provided.



- (f) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were the subject of an IVA will have provided a confirmation of satisfactory conduct of the IVA where appropriate.

### ***Income***

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers (holding at least 25% of the issued share capital of the company, partner in a partnership, or a sole trader), pensions, investments and rental income, and other monies approved by an authorised officer of the relevant subsidiary of Kensington or its delegate or agent.
- (b) The maximum relevant Loan will not exceed the higher of three point five times the assessed income of the primary borrower plus one times the assessed income of the secondary borrower, or three times the combined assessed incomes of the primary and secondary borrowers.
- (c) Solicitors
- (d) The firm of solicitors acting on behalf of the relevant subsidiary of Kensington must have at least two practising partners or alternatively the relevant Loan must be originated in accordance with the relevant procedure for completion of relevant Loans the subject of title insurance.

### ***Further Advances***

Further advances are governed by the same criteria as initial advances with the following additions:

- at least three months must have elapsed since completion of the initial advance;
- repayments on the relevant Loan must be up-to-date; and
- the relevant Loan must have experienced arrears no greater than one month at any time in the previous three months.

### ***Exceptions/Changes to the Kensington Lending Criteria***

KMCL took reasonable steps at the time of origination of the Kensington Loans to ensure that the Kensington Lending Criteria were satisfied (and that any discretions were exercised in accordance with Kensington's policies).

## SPML Lending Criteria

The following is a summary of the guidelines (the "**SPML Lending Criteria**") that were applied at the date of origination in respect of the MAS2 Mortgages within the Mortgage Pool.

### *Security*

- (a) Each of the loans advanced under a MAS2 Mortgage must be secured by a first legal mortgage (a "**MAS2 English Mortgage**") over a freehold or long leasehold residential property (with a term at least 35 years longer than the mortgage term) in England and Wales (the "**MAS2 English Property**") or secured by a first standard security (a "**MAS2 Scottish Mortgage**") over a heritable or long leasehold residential property (with a term at least 35 years longer than the mortgage term) located in Scotland (a "**MAS2 Scottish Property**") or secured by a first mortgage (a "**MAS2 Northern Irish Mortgage**") over a freehold or long leasehold residential property (with not less than 900 years remaining on the lease) located in Northern Ireland (the "**MAS2 Northern Irish Property**"), the MAS2 English Property, the MAS2 Scottish Property and the MAS2 Northern Irish Property are collectively defined as the "**MAS2 Property**" or the "**MAS2 Properties**", the MAS2 English Mortgages, the MAS2 Scottish Mortgage and MAS2 Northern Irish Mortgage and collectively defined as the "**MAS2 Mortgages**", securing the payment of all sums due from the relevant Borrowers under the terms of the Loans made to them (the "**MAS2 Loans**").
- (b) Only property of acceptable construction intended for use wholly or partly as a principal place of residence or under an assured shorthold tenancy is acceptable.
- (c) MAS2 Properties under ten years old will have the benefit of a National Home Buyers Certificate (NHBC) or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following types of building are deemed unacceptable as security:
  - Freehold flats and maisonettes
  - Buildings designated as defective under the Housing Defects Act 1984 and Housing Act 1985
  - Buildings containing mundic block materials
  - Buildings with agricultural restrictions
  - Buildings of 100 per cent. timber construction
  - Steel-framed properties
  - Ex local authority flats and maisonettes
  - Flats in a block of seven storeys or more
  - Buildings not wholly owned by the Borrower, where equity is retained by a builder/developer, housing association or other third party

- Concrete build properties – these are only acceptable if on the PRC approved list or are acceptable under the Lending Criteria subject to receipt of a structural engineer's report.
- (e) Each MAS2 Property offered as security will have been valued by a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by SPML.
- (f) At the time of completion, the relevant MAS2 Property must either have been insured under a block policy in the name of SPML/MAS2, or SPML/MAS2 must have been jointly insured with the Borrower under, or its interest noted on, a building policy relating to the relevant MAS2 Property.

### ***Loan Amount***

Each MAS2 Mortgage at the time of completion must be for a minimum principal amount of at least £10,000. No MAS2 Mortgage may exceed a maximum principal amount of £500,000 (including Further Advances).

### ***Loan to value***

- (a) LTV is calculated by dividing the initial principal amount advanced at completion of the MAS2 Mortgage by the valuation of the Property.
- (b) The LTV of each MAS2 Mortgage at the date of completion must be no more than 95 per cent. (excluding fees).

### ***Term***

Each MAS2 Mortgage must have an initial term of between 5 and 35 years and (except for a repayment mortgage) have no scheduled principal repayments prior to its stated final maturity which must be no later than 2033.

### ***Borrowers***

- (a) Borrowers must have been at least 18 years of age prior to completion of the Loan.
- (b) A maximum number of four Borrowers are allowed to be parties to the MAS2 Mortgage if it is unregulated. If the MAS2 Mortgage is regulated, the maximum number of Borrowers is two.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
- search supplied by a credit reference agency;
  - CAIS information;
  - confirmation of voters' roll entries or proof of residency;
  - references from current employers;
  - accountant's certificate;

- reference from current lenders; or
  - reference from current landlords.
- (d) Where a CCJ relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lender's or landlord's references or a Borrower has been subject to a BO or IVA, explanations should have been provided.
- (e) Where satisfaction of CCJs is a requirement of the MAS2 Mortgage, a certificate of satisfaction must have been provided or satisfaction confirmed in credit reference agency searches or it has been made a condition of the mortgage offer that the solicitor satisfies the existing CCJs.
- (f) Borrowers who were the subject of BO must have provided a certificate of discharge. Borrowers who were the subject of an IVA must have provided confirmation of satisfactory conduct of the IVA where appropriate.

### ***Income***

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of (i) salary plus additional regular remuneration for an employed Borrower or net profit plus any additional income confirmed by the accountant for a self-employed Borrower (holding at least 25 per cent. of the issued share capital of the company), who is (except where the lender reasonably considers that the remuneration of the Borrower makes it appropriate to consider the Borrower as an employed Borrower), a partner in a partnership, or a sole trader, (ii) pensions, (iii) investments, (iv) rental income, and (v) any other monies approved by an authorised official of the lender.
- (b) With the exception of certain allowable fees added to the aggregate Balance of the MAS2 Mortgage, the principal amount advanced will not exceed the higher of three point five times the assessed income of the primary Borrower plus one times the assessed income of the secondary Borrower or three times the combined assessed incomes of the primary and secondary Borrowers. For multiple applicants, the principal amount advanced will not exceed three times the combined assessed income of the primary and secondary Borrowers plus one times each of the assessed income of any additional applicant.

### ***Solicitors***

The firm of solicitors acting on behalf of the lender on the making of the MAS2 Mortgage must have at least three practising partners.

### ***Further Advances***

A Further Advance on a MAS2 Mortgage is governed by the same criteria as initial advances with the following conditions:

- at least six months must have elapsed since completion of the initial advance;
- the payment history in respect of the MAS2 Mortgage must be satisfactory to MAS2, acting as a prudent mortgage lender;
- the MAS2 Mortgage must have experienced arrears no greater than one month at any time in the previous three months; and

- the minimum principal amount of any such Further Advance is £2,000.

***Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 and the Housing (Northern Ireland) Order 1983***

Some MAS2 Mortgages ("**Right to Buy Mortgages**") may be subject to these provisions.

***Changes to the SPML Lending Criteria***

The SPML Lending Criteria as specified above may be overridden in certain circumstances, with appropriate internal authorisation as detailed in the SPML Lending Criteria.

Neither the Trustee nor the Managers have undertaken any additional due diligence in respect of the MAS2 Mortgages for the purpose of the issue of the Notes and have relied entirely upon the warranties as to the application of the SPML Lending Criteria.

**Exceptions/Changes to the SPML Lending Criteria**

SPML took reasonable steps at the time of origination of the SPML Loans to ensure that the SPML Lending Criteria were satisfied (and that any discretions were exercised in accordance with SPML's policies).

**Verso Lending Criteria**

The following is a summary of the guidelines (the "**Verso Lending Criteria**") that were applied at the date of origination in respect of the Verso Mortgages within the Mortgage Pool.

***Security***

- (a) Each loan advanced under a Verso Mortgage must be secured by a first legal mortgage ("**Verso English Mortgage**") over a freehold or long leasehold residential property (with a term at least 25 years longer than the mortgage terms and a minimum of 50 years at the time of the application) in England and Wales (the "**Verso English Property**") or secured by a first standard security (a "**Verso Scottish Mortgage**") over a heritable property located in Scotland (a "**Verso Scottish Property**") or secured by a first mortgage (a "**Verso Northern Irish Mortgage**") over a freehold or long leasehold residential property located in Northern Ireland (the "**Verso Northern Irish Property**") (the Verso English Mortgages, the Verso Scottish Mortgages and the Verso Northern Irish Mortgages are collectively defined as the "**Verso Mortgages**" and the Verso English Property, Verso Scottish Property and Verso Northern Irish Property are collectively defined as the "**Verso Property**" or the "**Verso Properties**").
- (b) Only property of acceptable construction intended for use wholly as a principal place of residence is acceptable.
- (c) Verso Properties under ten years old will have the benefit of an NHBC or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following properties are deemed unacceptable as security:
  - Freehold flats;
  - Properties with agricultural restrictions;

- Steel-framed properties;
  - Ex local authority flats in a block of six storeys or more;
  - Mobile homes;
  - Houseboats; or
  - Prefabricated buildings and unrepaired PRC properties.
- (e) The valuation report must comply with the provisions of Section 13 of the Building Societies Act 1986. It must be carried out by a member of RIGS or ISVA who is also a member of Verso's Valuer's Panel.
- (f) At the time of completion, the relevant Verso Property must either have been insured under a block policy, in the name of the lender under each Verso Mortgage, or the lender under each Verso Mortgage to be jointly insured with the Borrower under or its interest noted on, a buildings policy relating to the relevant Verso Property.

### ***Loan Amount***

The Verso Mortgage at the time of the completion must be at least £15,001 (£25,001 with respect to completions after 1 May 1998). The Verso Mortgage may not exceed £5,000,000 (including Further Advances), at any time during the life of the Verso Mortgage.

### ***Loan to Value***

- (a) The LTV is calculated by dividing the initial principal amount advanced at completion of the Verso Mortgage by the valuation of the Verso Property.
- (b) The LTV of each Verso Mortgage at the date of completion must be no more than 98 per cent., inclusive of fees (except for 100 per cent. products, which will be 100 per cent. plus fees).

### ***Term***

Each Verso Mortgage must have an initial term of between 5 and 40 years (subject to a maximum of the normal retirement age of the Borrowers). The term of a Verso Mortgage can be extended beyond the normal retirement age to a maximum age of 70, subject to the provision by the relevant Borrower of further information.

### ***Borrowers***

- (a) Borrowers must have been at least 21 years of age prior to completion of the relevant Verso Mortgage. For "Private Label" products, the minimum age for the primary customer is 18 years.
- (b) A maximum number of four Borrowers are allowed to be parties to the Verso Mortgage.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
- Search supplied by a credit reference agency;

- CAIS information;
  - Confirmation of voters' roll entries or proof of residency;
  - References from current employers;
  - Accountant's certificate;
  - References from current lenders; or
  - References from current landlords.
- (d) Borrowers subject to an IVA, undischarged Bankrupts or where an Order for Possession has been recorded are unacceptable. An advance can be made to a discharged bankrupt providing there were no convictions arising and they have been discharged for a minimum period of five years preceding the date of application. Any Borrowers where a judgment for indebtedness has been recorded is unacceptable with the following exceptions:
- Not more than two judgments to a maximum of £500 have been made;
  - The judgments have been satisfied; or
  - A satisfactory written explanation has been provided.

### ***Income***

Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus regular remuneration for an employed Borrower or net profit plus any additional income confirmed by an accountant for a self-employed Borrower (holding at least 25 per cent. of the issued share capital of the company), which is (except where the lender reasonably considers that the remuneration of the Borrower makes it appropriate to consider the Borrower as an employed Borrower), a partner in a partnership, or a sole trader, pensions, investments and rental income, and any other monies approved by an authorised official of the lender.

With the exception of certain allowable fees added to the aggregate Balance of the Verso Mortgage, the principal amount advanced will not exceed the higher of three point two five times the assessed income of the primary Borrower plus one times the assessed income of the secondary Borrower or two point seven five times the combined assessed incomes of the primary and secondary Borrowers. For multiple Borrowers the maximum of two incomes only will be allowed.

For the high income multiple products, the multipliers are three point seven five times the assessed income of the primary Borrower plus one times the assessed income of the secondary Borrower or three point two five times the combined assessed incomes of the primary and secondary Borrowers.

### ***Solicitors***

The firm of solicitors acting on behalf of the lender on the making of the Verso Mortgage must be on Verso's Solicitors' Panel.

### ***Mortgage Indemnity Insurance***

Any Verso Mortgage where the advance (excluding fees and charges) exceeds 75 per cent. of the valuation/purchase price requires mortgage indemnity insurance cover.

### ***Further Advances***

Further Advances in respect of the Verso Mortgages are governed by the same criteria as initial advances with the following additional conditions:

- At least six months must have elapsed since completion of the initial advance.
- The payment history in respect of the relevant Verso Mortgage must be satisfactory to the lender, acting as a prudent mortgage lender.
- Income multipliers are 3.5 x single or 3.5 x first + 1 x second or 3 x joint. For the high income multiple products, the multipliers are 3.75 x single or 3.75 x first + 1 x joint or 3.25 joint.
- Any Further Advance must be for a minimum principal amount of £2,000.

### ***Changes to Verso Lending Criteria***

The Verso Lending Criteria as specified above may be overridden in certain circumstances, with appropriate internal authorisation as detailed in the Verso Lending Criteria.

Neither the Trustee nor the Managers have undertaken any additional due diligence in respect of the Leek 2 Mortgages for the purpose of the issue of the Notes and have relied entirely upon the warranties as to the application of the Verso Lending Criteria.

### ***Servicing of the Portfolio***

The Servicer will be required from the Closing Date to service the Portfolio as an agent of the Issuer and (following the delivery of a Note Acceleration Notice) the Security Trustee under and in accordance with the terms of the Servicing Agreement. The duties of the Servicer will include amongst other things:

- operating the Accounts and ensuring that payments are made into and from the Accounts in accordance with the Servicing Agreement;
- notifying the Borrowers of any change in their monthly payments or in the premium payable on any buildings insurance policy;
- providing Flexible Drawings as required in connection with any Flexible Loan;
- providing a redemption statement upon the request of a Borrower's solicitor or licensed conveyancer (or qualified conveyancer in Scotland);
- taking all reasonable steps to recover all sums due to the Issuer, including, without limitation, by the institution of proceedings and/or the enforcement of any Mortgage or any related security;
- taking all action and doing all things which it would be reasonable to expect a Reasonable, Prudent Mortgage Lender to do in administering its mortgages;
- make all filings, give all notices and make all registrations and other notifications required in the day-to-day operation of the business of the Issuer;
- arranging for all payments due to be made by the Issuer under any of the Transaction Documents to be made;



- keeping general books of account and records of the Issuer, provide accounting services, including reviewing receipts and payments, supervising and assisting in the preparation of interim statements and final accounts and supervising and assisting in the preparation of tax returns;
- paying on behalf of the Issuer all the out-of-pocket expenses of the Servicer incurred in the performance of the Servicer's duties under the Servicing Agreement.

The Servicer may transfer certain services, including re-transfer to the Seller of the servicing of certain Loans from time to time where the Borrower under such Loan is or becomes vulnerable or where the situation otherwise merits sensitive handling. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any transferee.

### **Flexible Loans**

The Portfolio will include Flexible Loans where the relevant Borrower may be entitled to request from the relevant Legal Title Holder (i) a Flexible Drawing or (ii) a Payment Holiday.

If the Servicer receives a Flexible Drawing request from a Borrower, the Servicer will provide to the Issuer, the Seller and the Cash Manager (with a copy to the relevant Legal Title Holder) a written notice notifying them of the Flexible Drawing request and setting out the amount of the proposed Flexible Drawing (the "**Redraw Notice**"). Such Redraw Notice shall set out the amount of the proposed Flexible Drawing and the relevant date on which the Flexible Drawing is to be advanced (the "**Drawings Date**"). The obligation to fund the relevant Flexible Drawing will remain the legal obligation of the relevant Legal Title Holder. The Redraw Notice will be given by the Servicer to the relevant Legal Title Holder, the Issuer, the Seller and the Cash Manager at least two Business Days prior to the relevant Drawings Date (or such other notice period agreed between the Servicer, the Seller and the Cash Manager). The Cash Manager, on behalf of the Issuer, will pay an amount equal to the Flexible Drawing Amount specified in the Redraw Notice as consideration for the Issuer's purchase of such Flexible Drawing from the Seller to enable the relevant Legal Title Holder to advance the relevant Flexible Drawing Amount to the relevant Borrower, by using amounts standing to the credit of the Principal Receipts in the Deposit Accounts on the relevant Drawings Date.

Purchases of the Flexible Drawings by the Issuer are intended to be funded from the Principal Receipts. The Flexible Drawing will be sold by the Seller to the Issuer under the Mortgage Sale Agreement and will remain in the Portfolio unless such Loans do not meet the Loan Warranties as determined by the Servicer on the tenth Business Day of each month (the "**Monthly Test Date**") falling immediately after the relevant Drawings Date.

If a Borrower requests and is granted a payment holiday, the amounts being paid by that Borrower during the period of time the payment holiday is granted will be less than they would have been had the payment holiday not been granted. As such, this will result in the Issuer having less funds available to it to make payments on the Notes.

For further information, please refer to the section *Summary of the Key Transaction Documents - Mortgage Sale Agreement*.

### **Enforcement Procedures**

The Servicer has established procedures for managing loans which are in arrear, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. The procedures permit discretion to be exercised by the appropriate officer of the Servicer in many circumstances. These procedures, as from time to time varied in accordance with the

practice of a Reasonable, Prudent Mortgage Lender or with the consent of, *inter alia*, the Issuer and the Security Trustee, are required to be used by the Servicer in respect of arrears arising on the Mortgages. In some cases, the Servicer may transfer its duties in respect of certain Loans to the Seller where the Borrower under such Loan is vulnerable or where the situation otherwise merits sensitive handling.

### *English Loans*

In order to realise its security in respect of a Property, the relevant mortgagee (be it the legal owner, the beneficial owner, the Security Trustee or its appointee (if the Security Trustee has taken enforcement action against the Issuer)) will need to obtain possession. There are two means of obtaining possession for this purpose; first, by taking physical possession (seldom done in practice), and second, by obtaining a court order.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements.

Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the loan or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the loan and/or mortgage.

The court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower faced with eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to pay. Once possession of the Property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the relevant mortgagee to sell the Property within a reasonable time.

### *Scottish Loans*

A proportion of the Loans are secured over properties in Scotland ("**Scottish Loans**"). These are secured by security taken over the relevant properties by way of standard security, being the only means of creating a fixed charge or security over heritable property in Scotland ("**Scottish Mortgages**"). In respect of Scottish Mortgages, references herein to a "**Mortgage**" and a "**Mortgagee**" (or the "**Legal proprietor**" of a Mortgage) are to be read as references to such a standard security and the heritable creditor thereunder, respectively.

A statutory set of *Standard Conditions* is automatically imported into all standard securities, although the majority of these Standard Conditions may be varied by agreement between the parties.

The main provisions of the Standard Conditions, which cannot be varied by agreement, relate to enforcement. Generally, where a breach by a Borrower entitles the lender to enforce the security, an appropriate statutory notice must first be served. First, the lender has to serve a "calling up notice" requiring repayment, in which event the Borrower has two months to comply and, on the expiry of such period where the Borrower is in default, the lender has to obtain a court order before it may enforce its rights of sale under the standard security.

Prior to 30 September 2010, under the terms of the Mortgage Rights (Scotland) Act 2001 (the "**2001 Act**"), Scottish courts were permitted a discretion (upon application by a Borrower or other specified persons) to suspend the exercise of the lender's statutory enforcement remedies for such period and to such extent as the court considered reasonable, having regard, among other factors, to the nature of the default, the applicant's ability to remedy it and the availability of alternative accommodation. The relevant provisions of the 2001 Act relating to the court's discretion to suspend such enforcement remedies were repealed with effect from 30 September 2010 under the terms of the Home Owner and Debtor Protection (Scotland) Act 2010 and replaced with the requirement (referred to above) on lenders to obtain a court order (except in very limited circumstances) when pursuing their statutory enforcement remedies, although the court will still have regard to the factors described above in exercising their discretion as to whether to grant the court order. See also the sections entitled "*Further Information relating to the Regulation of Mortgages in the UK – Mortgage repossession*" and "*Risk Factors – Credit Structure*".

#### *Northern Irish Loans*

In cases of default by a Borrower in relation to a Mortgage secured over property situated in Northern Ireland, requiring the issue of legal proceedings, those proceedings are virtually identical to English proceedings. After a possession order is obtained, the judgment is enforced through the Enforcement of Judgments Office (rather than by bailiffs) and it has its own procedures for enforcement.

By virtue of Article 51 of The Judgments Enforcement (Northern Ireland) Order 1981, an order charging land (i.e. a judgment mortgage), if founded on a judgment in respect of rates payable in respect of that land, shall have priority over all other charges and encumbrances whatever affecting that land except other debts owing to the Crown.

#### **Capital Costs, Further Advances and Product Switches**

Capital Costs will (where applicable in accordance with the terms and conditions of the Loans) be added to the balance of the relevant Loan and will be funded out of the Retained Principal Receipts Ledger.

The Seller no longer permits Product Switches or Further Advances. Neither the Issuer nor the Seller is obliged to make Further Advances.

#### **Insurance Contracts**

##### *Buildings Insurance*

Buildings insurance or building and contents insurance is arranged by the relevant Borrower selecting an insurer and arranging cover accordingly (a "**Third Party Buildings Policy**").

In respect of the PFL Mortgages to be sold pursuant to the Mortgage Sale Agreement, the Seller will warrant to the Issuer that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Reasonable, Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost. In respect of the Non-PFL Mortgages to be sold pursuant to the Mortgage Sale Agreement, the Seller will warrant to the Issuer that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company approved or not objected to by GMAC-RFC or MAS2 or MAS4 or MAS5 or MAS6 (as applicable) against all risks usually covered by a Reasonable, Prudent Mortgage Lender advancing money on the security of residential property.

### *Properties in Possession Insurance*

In respect of certain Loans, the Seller has the benefit of certain properties in possession insurance policies (the "**PIP Policies**") in respect of any loss arising in respect of damage occurring to Properties that have been subject to repossession by the Seller.

### *Title Insurance Policies*

In respect of certain Loans, the Seller has the benefit of title insurance policies (the "**Title Insurance Policies**") in respect of any loss arising from the existence of any adverse matter which would have been revealed had the Seller instructed a solicitor to conduct a search or other procedure against the title to the relevant Property.

"**Insurance Policies**" means with respect to certain Loans, the Title Insurance Policies (which are in favour of the Seller), the PIP Policies (which are in favour of the Seller) and any other insurance contracts in replacement, addition or substitution thereof from time to time which relates to the Loans and "**Insurance Policy**" means any one of them.

### **Governing law**

Each of the Loans and any non-contractual obligations arising out of or in connection with them are governed by English law, or in respect of the Scottish Loans, Scots law, or in respect of the Northern Irish loans, Northern Irish law.

## CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this Prospectus has been compiled by reference to certain Loans in portfolios owned by the Seller as at the Portfolio Reference Date (the "**Provisional Portfolio**"). The Provisional Portfolio as at the Portfolio Reference Date consisted of 3,244 Loans originated by Platform Funding Limited ("**PFL**"), GMAC-RFC Limited ("**GMAC**"), Verso, KMCL and SPML secured over properties located in England, Wales, Northern Ireland and Scotland. The Current Balance of the Provisional Portfolio on the Portfolio Reference Date was £331,611,309.64. The portfolio that will be sold to the Issuer on the Closing Date (the "**Closing Date Portfolio**") will be selected from the Provisional Portfolio on the Closing Date Portfolio Selection Date.

The characteristics of the Closing Date Portfolio will differ from that set out below as a result of, *inter alia*, repayments and redemptions of the Loans from the Portfolio Reference Date to the Closing Date Portfolio Selection Date and removal of any Loans which do not comply with the Loan Warranties as at the Closing Date Portfolio Selection Date. If a Loan selected for the Closing Date Portfolio is repaid in full between the Closing Date Portfolio Selection Date and the Closing Date, the principal recoveries from that Loan will form part of Available Principal Receipts. Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Portfolio Reference Date for the Loans in the Provisional Portfolio.

In this section:

"**Mortgage Accounts**" means the totality of the relevant Loans granted by the Seller secured on the same Property and their Related Security;

"**Owner Occupied Loan**" means any Loan in the Portfolio which is not a Buy to Let Loan; and

"**Sub-Accounts**" means the individual relevant Loans granted by the Seller secured on the same Property and their Related Security.

Columns in the tables below may not add up to 100 per cent. due to rounding.

### SUMMARY STATISTICS

Cut-off Date .....	30 April 2019
Balance (£) .....	331,611,310
Number of Main Accounts .....	3,244
Number of Loan Parts .....	3,434
Average Loan Balance (£) .....	102,223
WA OLTV .....	79.84%
WA Indexed LTV * .....	51.21%
WAC .....	2.65%
WA Seasoning (Years) .....	14.15
WA Time to Reset (Months) .....	0.05
WA Remaining Term (Years) .....	8.38
3M LIBOR Index .....	29.83%
BBR Index .....	67.28%
SVR Index ** .....	2.66%
BTL .....	21.83%
IO .....	89.83%
CCJs .....	3.54%
Bankruptcy or IVA .....	0.87%
Self-Certified .....	69.05%
Flexible Loans .....	35.22%
Current Loans (<1m) .....	93.66%
30-60 Days in Arrears .....	4.00%
60-90 Days in Arrears .....	1.29 %
90+ Days in Arrears .....	1.05%

\* Based on original valuation indexed using Nationwide Regional Quarterly Indices

\*\* Current SVR equals 6.00%.

Weighted Average calculations exclude two loan parts with negative balances totalling -£5.57

## Originator

Originator	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
PFL .....	192,906,766	58.17	1,402	43.22
GMAC .....	12,619,277	3.81	94	2.90
VERSO	65,786,105	19.84	1,029	31.72
KMCL	35,950,578	10.84	407	12.55
SPML	24,348,583	7.34	312	9.62
<b>Totals</b> .....	<b>331,611,310</b>	<b>100.00</b>	<b>3,244</b>	<b>100.00</b>

## Product Index Type

Product Index Type	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Sub-Accounts	Number of Sub-Accounts (%)
3M LIBOR.....	98,930,961	29.83	1,128	32.85
BBR .....	223,118,909	67.28	2,046	59.58
SVR .....	8,813,951	2.66	251	7.31
No Index .....	747,488	0.23	9	0.26
<b>Totals</b> .....	<b>331,611,310</b>	<b>100.00</b>	<b>3,434</b>	<b>100.00</b>

## Current Balances as at the Portfolio Reference Date

The following table shows the range of Mortgage Account Current Balances as at the Portfolio Reference Date.

Range of Current Balances*	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
£0 - £49,999.99 .....	25,902,361	7.81	1,096	33.79
£50,000 - £99,999.99 .....	55,604,273	16.77	760	23.43
£100,000 - £149,999.99 .....	71,136,869	21.45	581	17.91
£150,000 - £199,999.99 .....	65,756,940	19.83	385	11.87
£200,000 - £249,999.99 .....	48,787,905	14.71	220	6.78
£250,000 - £299,999.99 .....	30,426,043	9.18	112	3.45
£300,000 - £349,999.99 .....	12,729,958	3.84	40	1.23
£350,000 - £399,999.99 .....	8,830,060	2.66	24	0.74
£400,000 - £449,999.99 .....	5,149,232	1.55	12	0.37
£450,000 - £499,999.99 .....	3,801,842	1.15	8	0.25
£500,000 - £5,000,000.00 .....	3,485,828	1.05	6	0.18
<b>Totals</b> .....	<b>331,611,310</b>	<b>100.00</b>	<b>3,244</b>	<b>100.00</b>

The maximum, minimum and average Current Balance of the Loans as of the Portfolio Reference Date is £910,788.03 £0.90 and £102,222.97 respectively.

## Current Interest Rates

Current Interest Rate (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Sub-Accounts	Number of Sub-Accounts (%)
0.00 to 0.99 .....	1,899	0.00	3	0.09
1.00 to 1.99 .....	80,774,014	24.36	775	22.57

<b>Current Interest Rate (%)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (£)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (%)</b>	<b>Number of Sub-Accounts</b>	<b>Number of Sub-Accounts (%)</b>
2.00 to 2.99 .....	176,929,177	53.35	1,652	48.11
3.00 to 3.99 .....	44,290,545	13.36	418	12.17
4.00 to 4.99 .....	18,162,409	5.48	247	7.19
5.00 to 5.99 .....	2,321,164	0.70	72	2.10
6.00 to 6.99 .....	9,090,306	2.74	264	7.69
7.00 to 7.99 .....	41,795	0.01	3	0.09
<b>Totals .....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,434</b>	<b>100.00</b>

The maximum, minimum and weighted average Current Interest Rates of the Loans as of the Portfolio Reference Date is 7.00%, 0.00% and 2.65% respectively.

### Loan to Value Ratios at Origination

The calculation for the first column below takes the earliest origination date on the property and aggregates the original advance amounts of any current loan parts which have an origination date equal to the earliest origination. This figure is then divided by the original valuation amount. The remaining columns show, by reference to the Portfolio Reference Date, for each of the original LTV ranges (i) the Current Balances and proportions of the Current Balances of the Loans, and (ii) the number of mortgage accounts and proportion of mortgage accounts.

<b>Range of LTV Ratios at Origination (%)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (£)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (%)</b>	<b>Number of Mortgage Accounts</b>	<b>Number of Mortgage Accounts (%)</b>
<= 50.00.....	14,357,449.83	4.33	245	7.55
50.01 to 55.00 .....	5,669,017.70	1.71	83	2.56
55.01 to 60.00 .....	8,672,072.12	2.62	117	3.61
60.01 to 65.00 .....	12,336,650.69	3.72	141	4.35
65.01 to 70.00 .....	13,766,535.03	4.15	156	4.81
70.01 to 75.00 .....	22,473,133.18	6.78	247	7.61
75.01 to 80.00 .....	38,640,531.71	11.65	357	11
80.01 to 85.00 .....	46,187,679.35	13.93	469	14.46
85.01 to 90.00 .....	118,561,815.13	35.75	1,037	31.97
90.01 to 95.00 .....	29,718,340.71	8.96	226	6.97
95.01 to 100.00 .....	20,185,014.53	6.09	131	4.04
100.01 to 200.00 .....	1,043,069.66	0.31	35	1.08
<b>Totals .....</b>	<b>331,611,309.64</b>	<b>100</b>	<b>3,244</b>	<b>100</b>

The original weighted average Loan to Value Ratio as at the Portfolio Reference Date of the Loans in the Portfolio is 79.84 per cent.

### Current Indexed Loan to Value Ratios

The following table shows the range of Current Indexed Loan to Value Ratios, which are calculated by dividing the Current Balance of a Mortgage Account as at the Portfolio Reference Date by the indexed original valuation.

<b>Range of Current Indexed LTV Ratios (%)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (£)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (%)</b>	<b>Number of Mortgage Accounts</b>	<b>Number of Mortgage Accounts (%)</b>
<= 50.00.....	153,216,699	46.20	2,084	64.24
50.01 to 55.00 .....	32,568,049	9.82	214	6.60

Range of Current Indexed LTV Ratios (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
55.01 to 60.00 .....	32,954,007	9.94	200	6.17
60.01 to 65.00 .....	31,399,349	9.47	201	6.20
65.01 to 70.00 .....	27,279,125	8.23	175	5.39
70.01 to 75.00 .....	18,183,138	5.48	120	3.70
75.01 to 80.00 .....	15,096,074	4.55	114	3.51
80.01 to 85.00 .....	10,980,401	3.31	71	2.19
85.01 to 90.00 .....	4,641,285	1.40	31	0.96
90.01 to 95.00 .....	1,823,300	0.55	16	0.49
95.01 to 100.00 .....	945,686	0.29	5	0.15
100.01 to 300.00 .....	2,524,199	0.76	13	0.40
<b>Totals .....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,244</b>	<b>100.00</b>

Based on original valuation indexed using Halifax 2015 Q1 Non-Seasonally Adjusted Regional House Price Indices.

The weighted average current indexed Loan to Value Ratio as at the Portfolio Reference Date of all the Loans is 51.21 per cent.

### Origination Year

Origination Year	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Sub-Accounts	Number of Sub-Accounts (%)
<= 2000.....	7,422,019	2.24	254	7.40
2001 .....	14,403,944	4.34	277	8.07
2002 .....	39,720,578	11.98	601	17.50
2003 .....	18,151,087	5.47	242	7.05
2004 .....	67,747,658	20.43	628	18.29
2005 .....	67,715,373	20.42	584	17.01
2006 .....	60,903,209	18.37	418	12.17
2007 .....	46,694,378	14.08	306	8.91
2008 .....	5,931,113	1.79	53	1.54
2009 .....	755,110	0.23	16	0.47
2010>=.....	2,166,840	0.65	55	1.60
<b>Total.....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,434</b>	<b>100.00</b>

### Arrears Analysis of Sub-Accounts

Month(s) in Arrears*	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
0.00 - 0.99.....	310,595,672	93.66	3,090	95.25
1.00 - 1.99.....	13,277,989	4.00	90	2.77
2.00 - 2.99.....	4,271,096	1.29	32	0.99
3.00 - 3.99.....	1,664,368	0.50	18	0.55



4.00 - 4.99.....	849,531	0.26	7	0.22
5.00 – 5.99.....	75,547	0.02	2	0.06
6.00.....	877,106	0.26	5	0.15
<b>Totals .....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,244</b>	<b>100.00</b>

\* *Months in arrears calculated as the aggregate of all arrears balances on a Mortgage Account divided by the aggregate of the monthly subscription amounts on a Mortgage Account.*

## Geographical Distribution

<b>Region</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (£)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (%)</b>	<b>Number of Mortgage Accounts</b>	<b>Number of Mortgage Accounts (%)</b>
East Anglia .....	7,449,882	2.25	101	3.11
East Midlands .....	20,963,613	6.32	238	7.34
London.....	61,078,041	18.42	437	13.47
North.....	9,748,408	2.94	133	4.10
North West.....	33,775,634	10.19	402	12.39
Northern Ireland.....	1,660,831	0.50	26	0.80
South East	112,510,706	33.93	899	27.71
Scotland .....	8,558,292	2.58	101	3.11
South West.....	23,404,543	7.06	204	6.29
Wales .....	10,473,104	3.16	140	4.32
West Midlands.....	25,842,845	7.79	308	9.49
Yorkshire Humber .....	16,145,409	4.87	255	7.86
<b>Totals .....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,244</b>	<b>100.00</b>

## Seasoning of Loans

The following table shows the number of years since the date of origination of the Sub-Accounts.

<b>Seasoning (years)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (£)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (%)</b>	<b>Number of Sub-Accounts</b>	<b>Number of Sub- Accounts (%)</b>
2.00 to 2.99	44,594	0.01	1	0.03
3.00 to 3.99	72,679	0.02	1	0.03
4.00 to 4.99	0	0.00	0	0.00
5.00 to 5.99	76,321	0.02	2	0.06
6.00 to 6.99	742,301	0.22	13	0.38
7.00 to 7.99	235,282	0.07	8	0.23
8.00 to 8.99	583,522	0.18	18	0.52
9.00 to 9.99	798,711	0.24	22	0.64
10.00 to 10.99	2,005,975	0.60	29	0.84
11.00 to 11.99	37,592,495	11.34	244	7.11
12.00 to 12.99	56,879,167	17.15	382	11.12
13.00 to 13.99	74,350,368	22.42	628	18.29
14.00 to 14.99	65,450,195	19.74	590	17.18
15.00 >=	92,779,701	27.98	1,496	43.56
<b>Total:</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,434</b>	<b>100.00</b>

The maximum, minimum and weighted average seasoning of Loans in the Portfolio as at the Portfolio Reference Date is 21.08, 2.50 and 14.15 years, respectively.

## Years to Maturity of Loans

The following table shows the number of remaining years of the term of the Sub-Accounts as at the Portfolio Reference Date and are calculated with respect to the Maturity Date.

<u>Years to Maturity</u>	<u>Aggregate Current Balance as at the Portfolio Reference Date (£)</u>	<u>Aggregate Current Balance as at the Portfolio Reference Date (%)</u>	<u>Number of Sub-Accounts</u>	<u>Number of Sub-Accounts (%)</u>
<0.00.....	18,858,461	5.69	163	4.75
0.00 to 4.99 .....	48,875,302	14.74	736	21.43
5.00 to 9.99 .....	109,976,435	33.16	1,365	39.75
10.00 to 14.99 .....	142,654,629	43.02	1,064	30.98
15.00 to 19.99 .....	11,210,562	3.38	105	3.06
20.00 to 24.99 .....	35,920	0.01	1	0.03
<b>Totals .....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,434</b>	<b>100.00</b>

The remaining term of the Loans in the Portfolio as at the Portfolio Reference Date is anywhere between -7.08 and 20.83 years and the weighted average remaining term is 8.38years.

## Purpose of Loan

<u>Use of Proceeds</u>	<u>Aggregate Current Balance as at the Portfolio Reference Date (£)</u>	<u>Aggregate Current Balance as at the Portfolio Reference Date (%)</u>	<u>Number of Sub-Accounts</u>	<u>Number of Sub-Accounts (%)</u>
Purchase.....	129,477,786.38	39.05	1,132	32.96
Remortgage.....	37,786,181.71	11.39	494	14.39
Equity Release .....	3,454,375.73	1.04	173	5.04
Remortgage with Equity Release.....	87,363,071.10	26.35	598	17.41
Investment Mortgage .....	72,377,772.28	21.83	957	27.87
Right to Buy.....	1,152,122.44	0.35	80	2.33
<b>Totals .....</b>	<b>331,611,309.64</b>	<b>100</b>	<b>3,434</b>	<b>100</b>

## Repayment Terms

<u>Repayment Terms</u>	<u>Aggregate Current Balance as at the Portfolio Reference Date (£)</u>	<u>Aggregate Current Balance as at the Portfolio Reference Date (%)</u>	<u>Number of Sub-Accounts</u>	<u>Number of Sub-Accounts (%)</u>
Interest Only .....	297,870,833	89.83	2,345	68.29
Repayment .....	32,565,844	9.82	1,073	31.25
Part & Part.....	1,174,633	0.35	16	0.47
<b>Totals.....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,434</b>	<b>100.00</b>

## Buy to Let Loans and Owner Occupied Loans

<u>Type</u>	<u>Aggregate Current Balance as at the Portfolio Reference Date (£)</u>	<u>Aggregate Current Balance as at the Portfolio Reference Date (%)</u>	<u>Number of Mortgage Accounts</u>	<u>Number of Mortgage Accounts (%)</u>
Owner Occupied Loans .....	259,233,537	78.17	2,477	72.13

Buy to Let Loans .....	72,377,772	21.83	957	27.87
<b>Totals.....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,434</b>	<b>100.00</b>

### Self-Certified Loans

Type	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Sub-Accounts	Number of Sub-Accounts (%)
Self-Certified Loans.....	228,031,265	68.76	1,999	58.21
Non-Self-Certified Loans .....	102,623,085	30.95	1,428	41.58
GMAC Non-Income Verified	956,960	0.29	7	0.20
<b>Totals .....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,434</b>	<b>100.00</b>

### Number of County Court Judgments

No. of County Court Judgments (CCJs)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
0 .....	319,862,079	96.46	3,073	94.73
1 .....	7,477,001	2.25	104	3.21
2 .....	2,609,231	0.79	45	1.39
3 >= .....	1,662,999	0.50	22	0.68
<b>Total .....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,244</b>	<b>100.00</b>

### Prior Bankruptcy or Individual Voluntary Arrangement (IVA)

Prior Bankruptcy or Individual Voluntary Arrangement (IVA)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Mortgage Accounts	Number of Mortgage Accounts (%)
No .....	328,729,833	99.13	3,210	98.95
Yes.....	2,881,477	0.87	34	1.05
<b>Total .....</b>	<b>331,611,310</b>	<b>100.00</b>	<b>3,244</b>	<b>100.00</b>

### LIBOR Mortgages

As at the Portfolio Reference Date, approximately 29.83 per cent. of the aggregate Current Balance in the Portfolio are LIBOR-linked Mortgages.

Margin over LIBOR (%)	Aggregate Current Balance as at the Portfolio Reference Date (£)	Aggregate Current Balance as at the Portfolio Reference Date (%)	Number of Sub-Accounts	Number of Sub-Accounts (%)
1.00 to 1.49	392,506	0.40	9	0.80
1.50 to 1.99	35,029,360	35.41	376	33.33
2.00 to 2.49	25,896,806	26.18	244	21.63
2.50 to 2.99	14,879,506	15.04	142	12.59
3.00 to 3.49	11,148,416	11.27	133	11.79
3.50 to 3.99	8,018,445	8.11	104	9.22

<b>Margin over LIBOR (%)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (£)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (%)</b>	<b>Number of Sub-Accounts</b>	<b>Number of Sub-Accounts (%)</b>
4.00 to 4.49	2,665,881	2.69	72	6.38
4.50 to 4.99	548,257	0.55	26	2.30
5.00 >=	351,784	0.36	22	1.95
<b>Total:</b>	<b>98,930,961</b>	<b>100.00</b>	<b>1128</b>	<b>100.00</b>

The maximum, minimum and weighted average margin over LIBOR of the LIBOR-Linked Mortgages as at the Portfolio Reference Date is 5.75%, 1.25% and 2.40%, respectively.

### Base Rate Tracker Mortgages

As at the Portfolio Reference Date, approximately 67.28 per cent. of the aggregate Current Balance in the Portfolio are Base Rate Tracker Mortgages.

<b>Margin over BBR (%)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (£)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (%)</b>	<b>Number of Sub-Accounts</b>	<b>Number of Sub-Accounts (%)</b>
0.50 to 0.99 .....	29,931,142	13.41	432	21.11
1.00 to 1.49 .....	106,891,421	47.91	782	38.22
1.50 to 1.99 .....	63,155,573	28.31	649	31.72
2.00 to 2.49 .....	19,115,723	8.57	140	6.84
2.50 to 2.99 .....	3,171,024	1.42	26	1.27
3.00 to 3.49 .....	533,035	0.24	4	0.20
4.00 to 4.49 .....	184,644	0.08	6	0.29
5.00 >=.....	136,347	0.06	7	0.34
<b>Totals .....</b>	<b>223,118,909</b>	<b>100.00</b>	<b>2046</b>	<b>100.00</b>

The maximum, minimum and weighted average margin over Base Rate of the Base Rate Tracker Mortgages as at the Portfolio Reference Date is 6.00%, 0.65% and 1.47%, respectively.

### SVR Mortgages

As at the Portfolio Reference Date, approximately 2.66 per cent. of the Aggregate Current Balance in the Portfolio are SVR Mortgages.

<b>Margin Over SVR (%)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (£)</b>	<b>Aggregate Current Balance as at the Portfolio Reference Date (%)</b>	<b>Number of Sub-Accounts</b>	<b>Number of Sub-Accounts (%)</b>
<= -0.01	15,552.82	0.18	3	1.2
0.00 to 0.49	8,514,752.05	96.61	234	93.23
0.50 to 0.99	241,851.57	2.74	11	4.38
1.00 to 1.49	41,794.91	0.47	3	1.2
<b>Total:</b>	<b>8,813,951.35</b>	<b>100</b>	<b>251</b>	<b>100</b>

The maximum, minimum and weighted average margin over SVR of the SVR Mortgages as at the Portfolio Reference Date is 1.00%, -0.02% and 0.02%, respectively.

## SUMMARY OF THE KEY TRANSACTION DOCUMENTS

### Mortgage Sale Agreement

#### *Portfolio*

Under the Mortgage Sale Agreement, on the Closing Date the Issuer will pay the applicable Initial Consideration to the Seller and:

- (a) the English Loans and the English Mortgages and other Related Security will be assigned to the Issuer;
- (b) the Legal Title Holders and PFL (in its capacity as Legal Title Holder and as a former legal title holder of certain PFL Mortgages) will hold on trust under the Scottish Declaration of Trust the Scottish Loans, the associated first ranking standard securities and the Related Security for the benefit of the Issuer; and
- (c) the Northern Irish Loans, the Northern Irish Mortgages and other Related Security will be assigned by way of equitable assignment to the Issuer,

in each case referred to as the "**sale**" by the Seller to the Issuer of the Loans and Related Security. The Loans and Related Security and all monies derived therefrom from time to time are referred to herein as the "**Portfolio**".

The consideration due to the Seller in respect of the sale of the Portfolio is the aggregate of:

- (a) an amount equal to the proceeds of the Notes, *less* amounts required to fund the Retained Principal Required Amount, the Liquidity Reserve Ledger up to the Liquidity Reserve Target and the Initial Expenses of the Issuer incurred in connection with the issue of the Notes payable on the Closing Date (the "**Initial Consideration**");
- (b) an amount representing Accrued Interest accrued up to the Closing Date Portfolio Selection Date ("**Accrued Interest Consideration**"), which shall be payable to the Seller after the Closing Date but on or before the first Interest Payment Date;
- (c) (in relation to any Flexible Drawings purchased by the Issuer from the Seller) the payment of an amount equal to the Flexible Drawing Amount in respect of such Flexible Drawing payable on the relevant Drawings Date (or on any Interest Payment Date thereafter) in accordance with the Mortgage Sale Agreement; and
- (d) ongoing payment by the Issuer of Deferred Consideration consisting of the Residual Payments under the Principal Residual Certificates issued to the Seller representing its right to the Principal Residual Payments payable under item (q) of the Pre-Acceleration Principal Priority of Payments and item (n) of the Post-Acceleration Priority of Payments and the Revenue Residual Certificates issued to the Seller representing its right to the Revenue Residual Payments under item (q) of the Revenue Priority of Payments and item (p) of the Post-Acceleration Priority of Payments.

Any Principal Residual Payments or Revenue Residual Payments will be paid to the Principal Residual Certificateholders or Revenue Residual Certificateholders, respectively (subject to the relevant Interest Payment Date not falling in a Determination Period) in accordance with the Priorities of Payments set out in the section headed "*Cashflows – Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer*" and "*Cashflows – Distribution of*

*Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer".*

### **Flexible Drawings**

To the extent that the Mortgage Conditions require an advance of a Flexible Drawing and subject to the relevant Borrower satisfying any conditions under the relevant Mortgage Conditions, the relevant Legal Title Holder will remain liable to the relevant Borrower for making any such payment. The Issuer shall purchase such Flexible Drawing from the Seller on the relevant Drawings Date in accordance with the terms of the Mortgage Sale Agreement and Servicing Agreement.

The Cash Manager (on behalf of the Issuer) will pay to the Servicer (acting on behalf of the Seller, following the receipt from the Servicer of a Redraw Notice) the purchase price for such Flexible Drawing (being an amount equal to the relevant Flexible Drawing Amounts) as consideration for the Issuer's purchase of such Flexible Drawing from the Seller, by applying amounts standing to the credit of the Deposit Account representing the Principal Receipts in accordance with the Cash Management Agreement.

The Servicer will test compliance with the Loan Warranties applicable to the Loans in relation to which Flexible Drawings have been purchased on the relevant Monthly Test Date falling after the end of the Monthly Period in which the Flexible Drawings occurred by reference to the circumstances existing as at the date the Flexible Drawing was advanced and notify the Seller and the Issuer in writing of any breach of the Loan Warranties within five Business Days in accordance with the Servicing Agreement. In such case, the Seller will be required to repurchase such Loan and its Related Security which have not met in accordance with the Mortgage Sale Agreement.

### **Title to the Mortgages, registration and notifications**

The completion of the transfer, or, in the case of Scottish Loans and their Related Security, assignment, of the Loans and Related Security (and where appropriate their registration or recording) 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 Legal Title Holders. Notice of the sale of the Loans and their Related Security to the Issuer will not be given to any Borrower until the occurrence of a Perfection Event.

- (a) "**Perfection Event**" means: (a) the relevant Legal Title Holder being required (i) by an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the relevant Legal Title Holder or (iii) by any organisation of which the relevant Legal Title Holder is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the relevant Legal Title Holder to comply, to perfect legal title to the Loans and their Related Security;
- (b) it becoming necessary by law to take any or all such actions referred to in paragraph (a) above;
- (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy;
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Legal Title Holder Insolvency Event in relation to the relevant Legal Title Holder.

Upon the occurrence of a Perfection Event, (A) in the case of paragraphs (a), (b) and (e) of the definition of Perfection Event, the Issuer (with the consent of the Security Trustee), the Seller, or the Security Trustee, (B) in the case of paragraph (c) of the definition of Perfection Event, the Issuer (with consent of the Security Trustee), or the Security Trustee, and (C) in the case of paragraph (d) of the definition of Perfection Event, the Seller, may, by notice in writing (a "**Perfection Notice**") to the Seller and the Legal Title Holders, require the Seller and the Legal Title Holders to complete the transfer by way of the assignment (or, in respect of Scottish Loans, the assignation) to the Issuer of the legal title to the Loans and their Related Security before the 20th Business Day following receipt of the Perfection Notice.

If the Loans are sold pursuant to the exercise of the Portfolio Option or pursuant to a market sale in accordance with the Liquidation Agent Agreement legal title shall be transferred to the purchaser or its nominee.

A "**Legal Title Holder Insolvency Event**" in respect of a Legal Title Holder will occur in the following circumstances:

- (a) an order is made or an effective resolution passed for the winding up of the Legal Title Holder; or
- (b) the Legal Title Holder stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the Legal Title Holder or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the Seller and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the Legal Title Holder is unable to pay its debts as they fall due; or
- (e) the exercise in respect of it of one or more of the stabilisation powers pursuant to Part 1 of the Banking Act 2009 and/or the institution against it of a bank insolvency proceeding pursuant to Part 2 of the Banking Act 2009 or a bank administration proceeding pursuant to Part 3 of the Banking Act 2009 (or equivalent proceedings in other jurisdictions).

The Title Deeds and Loan Files relating to the Portfolio are currently held by or to the order of the Seller. The Seller will undertake that all the Title Deeds and Loan 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, but each is relying entirely on the representations and warranties made by the Seller contained in the Mortgage Sale Agreement.

### ***Loan Porting***

If a Borrower ports a Loan comprised in the Portfolio prior to the occurrence of a Perfection Event, such Loan will be deemed to be redeemed and the principal element of such amount will be applied as Available Principal Receipts and the interest element of such amount will be applied as Available Revenue Receipts on the Interest Payment Date immediately following the Collection Period in which the Loan was ported.



### ***Conditions to sale***

The sale of Loans and their Related Security to the Issuer will be subject to various conditions being satisfied on the Closing Date, including no Event of Default shall have occurred which is continuing as at the Closing Date.

On the Closing Date, the Representations and Warranties (described below in "*Representations and Warranties relating to the Mortgage Sale Agreement*") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer.

Neither the Issuer nor the Seller are obliged to make Further Advances.

### ***Representations and Warranties relating to the Mortgage Sale Agreement***

On the Closing Date, the Representations and Warranties (described below under the sub-heading "*Mortgage Sale Agreement – PFL Mortgages*" and "*Mortgage Sale Agreement – Non-PFL Mortgages*") will be given by the Seller in respect of the PFL Mortgages and the Non-PFL Mortgages, and their Related Security sold by the Seller to the Issuer, as applicable.

#### ***Mortgage Sale Agreement – PFL Mortgages***

The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement in relation to the PFL Mortgages include, *inter alia*, similar statements to the following effect and see also "*The Loans – Insurance Contracts*":

- (a) each Loan was originated by and made by PFL on its own account;
- (b) as of the relevant cut off date, the particulars of the Loans set out in the Mortgage Sale Agreement were complete, true and accurate in all material respects in respect of the data fields described in the Mortgage Sale Agreement;
- (c) each Loan arose from the ordinary course of PFL's residential secured lending activities in England, Wales, Scotland or Northern Ireland and, in each case, at the time of origination, the Lending Criteria were satisfied;
- (d) each Loan and its Related Security was made on the terms of the standard documentation of PFL without any material variation thereto, or on terms of documentation similar to the standard documentation of PFL that would be acceptable to a Reasonable, Prudent Mortgage Lender, and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect (other than in cases where PFL's or, as the case may be, the Seller's, prior consent was obtained);
- (e) all of the Borrowers are individuals;
- (f) no Borrower, mortgagor or guarantor of a Borrower's obligations is an employee or director of the Seller as at the date of the Mortgage Sale Agreement;
- (g) the amount outstanding under each Loan is a valid debt to the Seller from the Borrower and the terms of each Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies (ii) enforcement of a Scottish Mortgage may be delayed if challenged by a Borrower on the

grounds of *the OneSavings Bank plc v Burns* decision and (iii) this warranty shall not apply in respect of any redemption fees or other charges that may be payable;

- (h) no Loan is wholly or partly regulated by the CCA or treated as such;
- (i) no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of Sections 140A to 140C of the CCA;
- (j) each Mortgage constitutes a valid and subsisting first charge or standard security and/or has first priority (where a second or subsequent mortgage or standard security exists) by way of legal mortgage or Standard Security over the relevant Property for the whole amount of the relevant Loan subject only to registration of such Mortgage at the Land Registry or the Registers of Scotland and there is nothing to prevent such registration being effected with absolute title in due course (except in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed);
- (k) other than in relation to the Seller's obligation to advance Flexible Drawings, there are no outstanding obligations on the Seller to make any Further Advances to any Borrower;
- (l) in respect of any Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy (in relation to any English Loan) or a tenancy that is neither controlled by the Rent (Northern Ireland) Order 1978 nor a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006 (in relation to any Northern Irish Loan) or in relation to any Scottish Loan, a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 or private residential tenancy within the meaning of The Private Housing (Tenancies) (Scotland) Act 2016;
- (m) in relation to any leasehold Property, in any case where PFL or the Seller has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, PFL or the Seller, as applicable, has taken such reasonable steps (if any) and in such time as would be taken by a Reasonable, Prudent Mortgage Lender to protect its security and the Loan;
- (n) no Loan is currently repayable in a currency other than Sterling;
- (o) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was less than £1,100,000;
- (p) all costs and fees payable by the Borrower in connection with the origination of the Loans have been paid;
- (q) in the case of each Loan, PFL caused to be made on its behalf a valuation of the relevant Property either by a valuer approved by PFL (being a fellow or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers for the valuation of a Property) or by an automated valuation model by Hometrack Data Systems Limited in all material respects in accordance with the Lending Criteria;
- (r) neither PFL nor the Seller has agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Loan or Related Security;
- (s) all of the Properties are residential and located in England, Wales, Scotland or Northern Ireland;

- (t) prior to making a Loan to a Borrower, PFL either:
- (i) (A) caused its approved solicitors (being: (I) any firm of solicitors authorised to practise law by the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland having at least two partners; (II) any firms of solicitors authorised to practice law by the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland having a sole principal; (III) such other firm as would be approved by a Reasonable, Prudent Mortgage Lender ("**Approved Solicitors**") or its approved conveyancers (being: (1) any sole principal, partnership or incorporated practice of conveyancers authorised to practise conveyancing by the Council of Licensed Conveyancers; or (2) such other firm as would be approved by a Reasonable, Prudent Mortgage Lender ("**Approved Conveyancers**")) to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable, Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property, as the case may be, in England, Wales, Scotland or Northern Ireland; and
  - (B) received a certificate of title prepared by Approved Solicitors or Approved Conveyancers (a "**Certificate of Title**") relating to such Property and the results thereof were such as would be acceptable to a Reasonable, Prudent Mortgage Lender in order to proceed with the Loan; or
  - (ii) (A) arranged for PFL's interest in the Property to be insured under a Title Insurance Policy applicable to such Property and PFL or the Seller is insured under such policy; and
  - (B) received a restricted certificate of title from Approved Solicitors or Approved Conveyancers relating to such Property relating to the title to the Property in a form approved by the insurer under each Title Insurance Policy ("**a Restricted Certificate of Title**");
- (u) in relation to each English Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except any subsequent ranking mortgage and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) which would materially adversely affect such title and, without limiting the foregoing, in the case of a Right to Buy Loan secured on a leasehold Property:
- (i) the lease cannot be forfeited on the bankruptcy of the tenant;
  - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (v) in relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free (save for the Scottish Mortgage and any subsequent ranking heritable security and, in relation to a Right to Buy Loan, any standard security which may arise or be granted in favour of the relevant Local Authority which has not been postponed)

from any encumbrance which would materially and adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:

- (i) the lease cannot be irritated on the bankruptcy or sequestration of the tenant;
  - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (w) in relation to each Northern Irish Mortgage, the Borrower has a good and marketable title to the relevant Property (subject to registration or recording of the title at the Registers of Northern Ireland) free (save for the Northern Irish Mortgage and any subsequent ranking mortgage and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the Northern Ireland Housing Executive which has not been postponed) from any encumbrance which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
- (i) the lease cannot be forfeited on the bankruptcy of the tenant;
  - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (x) all steps necessary to perfect the relevant Legal Title Holder's title to each Mortgage or procure that the relevant Legal Title Holder's title to each Mortgage is held on trust for the relevant Legal Title Holder were duly taken or are in the process of being taken with all due diligence and the Seller is not aware of any caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage in due course;
- (y) other than registered charges subject to completion of registration at the Land Registry, the Registers of Northern Ireland or the Registers of Scotland the whole of each Loan, is secured by a Mortgage (except in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed);
- (z) no Loan or Related Security is subject to any right of rescission, set off, lien, counterclaim or defence (including any equivalent or analogous right arising under the laws of Scotland) and there are no outstanding claims by PFL or the Seller, as applicable, in respect of any material breaches of the terms of any Loan;
- (aa) neither the Seller nor PFL has waived any of its rights under or in relation to a Loan or Related Security which would materially reduce the value of the Loan;
- (bb) the terms of the Loan Agreement or Related Security relating to each Loan are not "**unfair terms**" within the meaning of the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contract Regulations 1999 but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;
- (cc) so far as the Seller is aware, in relation to each Loan entered into before 31 October 2004, PFL has complied in all material respects with the Mortgage Code issued by the Council of Mortgage Lenders' Code of Practice;

- (dd) so far the Seller is aware, in respect of each Loan entered into before 21 July 2009, PFL has received no complaints that it has not complied with the terms of the OFT's November 1997 Guidelines for Non Status Mortgage Lenders;
- (ee) in relation to each English Mortgage and each Northern Irish Mortgage, every person who, at the date upon which the relevant Mortgage was made, had attained the age of seventeen and who had been notified to PFL as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a deed of consent and in relation to each Scottish Mortgage, all necessary documentation has been obtained so as to ensure that the relevant Property is not subject to any right of occupancy;
- (ff) in relation to each Scottish Mortgage relating to a Loan, all necessary MH/CP Documentation has been obtained so as to ensure that neither the relevant Property nor the relevant Mortgage is subject to any right of occupancy;
- (gg) each Property is insured (from the date of completion of the relevant Loan) (i) under the Third Party Buildings Policies, (ii) with a reputable insurance company approved by PFL, (iii) against all risks usually covered by a Reasonable, Prudent Mortgage Lender in England, Wales, Scotland or Northern Ireland, as applicable, advancing money on the security of residential property, and (iv) to an amount not less than the full reinstatement cost as determined by the relevant valuer or automated valuation model (as applicable);
- (hh) save in respect of any new mortgage indemnity insurance policy that the Seller may enter into after the date of the Mortgage Sale Agreement, the Insurance Policies are in full force and effect and all premiums payable thereon have been paid and, so far as the Seller is aware, the relevant policies are valid and enforceable and the Seller has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
- (ii) as far as the Seller is aware, there is no claim outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and the Seller is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;
- (jj) save for title deeds held at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland (as applicable) all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by or to the order of the Seller or its agents and the title deeds held at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland (as applicable) are held on the basis that any such title deeds shall be returned to Seller or its solicitors or agents;
- (kk) the Seller is the absolute unencumbered beneficial owner of, and the relevant Legal Title Holder is the absolute unencumbered legal owner of, each Loan and its Related Security (and each such respective title is good and marketable), subject in each case only to the Mortgage Sale Agreement, the Borrower's equity of redemption and subject to registration or recording at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland (as applicable) of the Seller as proprietor or heritable creditor of the relevant Mortgage;
- (ll) the Seller has not received written notice and is not aware of any litigation or claim which may have a material adverse effect on the Seller's title to any Loan or Related Security;
- (mm) the Seller has at all relevant times (i) held a registration under the the Data Protection Act 1998, or equivalent or (ii) paid a data protection fee to the Information Commissioner's

officer, in each case, as applicable and where required to do so to enable it to perform its obligations under the Transaction Documents to which it is a party;

- (nn) PFL and the Seller have at all relevant times held and the Seller continues to hold (i) a subsisting licence under the terms of the Consumer Credit Act 1974 and any applicable successor legislation to carry on consumer credit business in England, Wales, Scotland and Northern Ireland;
- (oo) all formal approvals, consents and other steps necessary to permit an assignment and assignation of the Loans and their related Mortgages and the other Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken;
- (pp) PFL or the Seller (or their agents) have, since the making of each Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its Mortgage and the Related Security and all such accounts, books and records are in the possession of the Seller (or its agents) as would be done by a Reasonable, Prudent Mortgage Lender;
- (qq) in respect of each Buy to Let Loan and in substitution for the Loan Warranties set out in paragraphs (l), (q), (u), (v), (w) and (kk) above:
  - (i) the relevant tenancy, if any, is (A) an assured shorthold tenancy within the meaning of the Housing Act 1988 or either a tenancy agreement not controlled by the Rent (Northern Ireland) Order 1978 or not a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006 (in relation to any English Loan or Northern Irish Loan) or (in relation to any Scottish Loan) a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (an "**Assured Shorthold Tenancy**") for a fixed term not more than 12 months or a private residential tenancy within the meaning of The Private Housing (Tenancies) (Scotland) Act 2016 (a "**PRT**") or, where the Housing Act 1988, the Housing (Scotland) Act 1988 or The Private Housing (Tenancies) ((Scotland) Act 2016 do not apply to the tenancy, or the tenancy agreement is controlled by the Rent (Northern Ireland) Order 1978 or is a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006, a tenancy agreement on terms no less favourable to the Seller as would be the case if the tenancy had been an Assured Shorthold Tenancy (an "**Other Tenancy Agreement**" and together with the "**Assured Shorthold Tenancies**", and PRTs the "**Existing Tenancy Agreements**") and (B) the Seller is not aware of any material breach of such Existing Tenancy Agreements;
  - (ii) PFL caused to be made on its behalf a valuation of the relevant Property together with the relevant rental income estimate (except for a House Plus Loan which is assessed on a Borrower's self certified income) of the relevant Property by a valuer in all material respects in accordance with the Lending Criteria or by an automated valuation model;
  - (iii) if the relevant Property is secured by an English Mortgage or Northern Irish Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry (in the case of an English Mortgage) or subject to registration of the title at the Registers of Northern Ireland (in the case of a Northern Irish Mortgage)) free from any encumbrance (except the English Mortgage or the Northern Irish Mortgage (as applicable), any subsequent ranking mortgage and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority or Northern Ireland Housing Executive (as applicable)

which has not been postponed) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:

- (A) the lease cannot be forfeited on the bankruptcy of the tenant;
  - (B) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (C) a copy of the consent or notice has been or will be placed with the title deeds;
- (iv) if the relevant Property is secured by a Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free (save for the Scottish Mortgage and any subsequent ranking heritable security and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any Standard Security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) from any encumbrance which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
- (A) the lease cannot be irritated on the bankruptcy or sequestration of the tenant;
  - (B) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (C) a copy of the consent or notice has been or will be placed with the title deeds;
- (v) the Seller is the absolute unencumbered beneficial owner of, and the relevant Legal Title Holder is the absolute unencumbered legal owner of, each Buy to Let Loan and its Related Security (and each such respective title is good and marketable), subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption, any Existing Tenancy Agreements and subject to registration or recording at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland of PFL and/or the Seller, as applicable as proprietor or registered owner or heritable creditor of the relevant Mortgage;
- (rr) PFL and the Seller have at all relevant times held and the Seller continues to hold authorisation and appropriate permissions from the FCA for conducting all regulated activities specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) carried on by it in respect of each Loan;
- (ss) PFL and the Seller have complied with all applicable requirements of law or of any person who has regulatory authority which has the force of law in respect of the Loan and Related Security, in particular the provisions of the FCA Mortgages and Home Finance: Conduct of Business sourcebook as amended from time to time;
- (tt) as far as the Seller is aware, no Borrower has made any material complaint and there is no pending or threatened action or proceeding of a material or adverse nature by an applicant against PFL or the Seller in respect of the Loans or Related Security;
- (uu) each officer or employee of PFL or the Seller, as applicable, in any capacity which involves a controlled function (as defined in the rules, guidance and evidential provisions as amended from time to time contained in the FCA Handbook of Rules and Guidance (the "**FCA Rules**")) or involves the supervision of any person or persons so engaged in respect of the

Loans and the Related Security is and was at all relevant times a validly registered "approved person" in accordance with the FCA Rules;

- (vv) PFL has created and the Seller has maintained all records in respect of the Mortgages in accordance with the FCA Rules and any other applicable requirements of law or of any person who has regulatory authority which has the force of law;
- (ww) none of the property which is assigned under the Mortgage Sale Agreement comprises or includes (or comprises or includes an interest in) stock or marketable securities (within the meaning of section 122 of Stamp Act 1891), chargeable securities (within the meaning of section 99 of the Finance Act 1986) or a chargeable interest (within the meaning of section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013, section 48 of Finance Act 2003) or section 4 of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017);
- (xx) neither PFL nor the Seller has altered in any material respect the terms of any letter of offer accepted by a Borrower relating to a Loan or otherwise changed in any material respect any of the terms and conditions relating to any Loans other than in accordance with the terms and conditions of the letter of offer relating to a Loans as accepted by the applicable Borrower;
- (yy) each Loan sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement will be, at the time when the Issuer acquires such Loan, a "**financial asset**" as defined in: (i) United Kingdom Financial Reporting Standard 102 ("**FRS 102**") (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with FRS 102); or (ii) International Financial Reporting Standard 9 ("**IFRS 9**") (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with IFRS 9);
- (zz) PFL has not directly sold, to any Borrower in respect of a Loan in the Portfolio, any PPI Policy; and
- (aaa) the Related Security consists wholly and exclusively of rights held by way of security and does not compromise any beneficial entitlement to any other assets other than assets which are rights held by way of security.

Neither the Security Trustee, nor the Note Trustee, nor the Arranger, nor the Sole Lead Manager, have undertaken any additional due diligence in respect of the application of the Lending Criteria and have relied entirely upon the warranties referred to above which will be made by the Seller to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

For the avoidance of doubt, each reference to a "Loan" in a Loan Warranty shall where the context requires include any Further Advances made in respect of that Loan on or prior to the Closing Date. References in Loan Warranties to the "FCA" shall be taken to include the Financial Services Authority ("FSA") as the context requires.

*Mortgage Sale Agreement – GMAC Mortgages, Verso Mortgages, KMCL Mortgage and SPML Mortgages (the "Non-PFL Mortgages" and each a "Non-PFL Mortgage")*

The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement in relation to the Non-PFL Mortgages include, *inter alia*, similar statements to the following effect and see also "*The Loans – Insurance Contracts*":

- (a) each Loan was originated by and made by the relevant Originator on its own account and each Loan and its Related Security (i) was sold to the relevant Legal Title Holder, on arm's



length terms, all consideration payable under that agreement has been paid in full and an application for the transfer or assignation of the Non-PFL Mortgage to the Seller has been delivered to the Land Registry, the Registers of Scotland or the Registries of Northern Ireland and (ii) the beneficial interest therein was then sold to the Seller, on arm's length terms;

- (b) as of the relevant cut off date, the particulars of the Loans set out in the Mortgage Sale Agreement were complete, true and accurate in all material respects in respect of the data fields described in the Mortgage Sale Agreement;
- (c) each Loan arose from the ordinary course of the relevant Originator residential secured lending activities in England and Wales or Scotland and, in each case, at the time of origination, the Lending Criteria were materially satisfied;
- (d) each Loan and its Related Security was made on the terms of the standard documentation of the relevant Originator without any material variation thereto, or on terms of documentation similar to the standard documentation of the relevant Originator that would be acceptable to a Reasonable, Prudent Mortgage Lender, and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect (other than in cases where the relevant Originator or, as the case may be, the relevant Legal Title Holder or the Seller's, as applicable, prior written consent was obtained);
- (e) all of the Borrowers are individuals;
- (f) no Borrower, mortgagor or guarantor of a Borrower's obligations was an employee or director of the relevant Originator at the time of origination of the relevant Loan;
- (g) the amount outstanding under each Loan is a valid debt to the Seller from the Borrower and the terms of each Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) enforcement of a Scottish Mortgage may be delayed if challenged by a Borrower on the grounds of the *OneSavings Bank plc v Burns* decision and (iii) this warranty shall not apply in respect of any redemption fees;
- (h) no Loan is wholly or partly regulated by the CCA or treated as such;
- (i) no agreement for any Unregulated Loan is a consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 140A to 140C of such Act) or any modification or re enactment thereof;
- (j) no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of Sections 140A to 140C of the CCA;
- (k) there are no outstanding obligations on the Seller or the Legal Title Holders to make any Further Advances to any Borrower;
- (l) so far as the Seller is aware, to the extent that any of the Loans qualify as "distance contracts" (as defined by Article 2 of the Financial Services (Distance Marketing) Regulations 2004), the relevant Non-PFL Originator has complied with the relevant provisions of the Financial Services (Distance Marketing) Regulations 2004;

- (m) in respect of any Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy (in relation to any English Loan) or a tenancy that is neither controlled by the Rent (Northern Ireland) Order 1978 nor a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006 (in relation to any Northern Irish Loan) or in relation to any Scottish Loan, a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 or private residential tenancy within the meaning of The Private Housing (Tenancies) (Scotland) Act 2016
- (n) in relation to any leasehold Property, in any case where the relevant Legal Title Holder, as applicable or the Seller has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, the relevant Legal Title Holder, as applicable or the Seller has taken such reasonable steps (if any) and in such time as would be taken by a Reasonable, Prudent Mortgage Lender to protect its security and the Loan;
- (o) no Loan is currently repayable in a currency other than Sterling;
- (p) the original advance being made under each Loan was less than £1,100,000;
- (q) insofar as the Seller is aware, all costs and fees payable by the Borrower in connection with the origination of the Loans have been paid (or capitalised onto the relevant Loan);
- (r) not more than six months prior to making an advance, either a valuation of the relevant Property was undertaken on behalf of the relevant Originator by a valuer and a valuation report addressed to the relevant Originator was obtained or an AVM Valuation was carried out and, other than the contents of the valuation report (or AVM Valuation) were such as to be acceptable to an underwriter of the relevant Originator acting prudently and reasonably;
- (s) neither the relevant Legal Title Holder, as applicable, nor the Seller has agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Loan or Related Security;
- (t) all of the Properties are residential properties and located in England and Wales, Scotland or Northern Ireland;
- (u) prior to making a Loan to a Borrower, the relevant Originator either:
  - (i) both of:
    - (A) caused its Approved Solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable, Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property in England and Wales; and
    - (B) save in relation to a Certificate of Insurance Loan, the relevant Originator instructed its solicitors and received, not more than six months prior to making the relevant advance, a Certificate of Title from such solicitors and a signed copy of that Certificate of Title is with the Loan File and the Certificate of Title did not reveal anything as a result of which a Reasonable, Prudent Mortgage Lender would not have proceeded with the relevant Loan on the terms upon which it was made; or

- (ii) procured that relevant Originator's interest in the Property was insured under a Title Insurance Policy;
- (v) in relation to each Non-PFL Mortgage that is an English Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Non-PFL Mortgage and any subsequent ranking mortgage or in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold property:
    - (i) the lease cannot be forfeited on the bankruptcy of the tenant;
    - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
    - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (w) in relation to each Non-PFL Mortgage that is a Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free (save for the Non-PFL Mortgage and any subsequent ranking heritable security and, in relation to a Right to Buy Loan, any Standard Security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) from any encumbrance which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
    - (i) the lease cannot be irritated on the bankruptcy or sequestration of the tenant;
    - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
    - (iii) a copy of the consent or notice has been or will be placed with the title deeds;
- (x) the whole of each Loan, is secured by a Non-PFL Mortgage (except in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed);
- (y) each Non-PFL Mortgage constitutes a valid and subsisting first charge or standard security and/or has first priority (where a second or subsequent mortgage or standard security exists) by way of legal mortgage or standard security over the relevant Property for the whole amount of the relevant Loan subject only to registration of such Non-PFL Mortgage at the Land Registry or the Registers of Scotland and there is nothing to prevent such registration being effected with absolute title in due course (except in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority which has not been postponed);
- (z) in relation to any Right to Buy Loan:
    - (i) the relevant Originator was, at the relevant time, an approved lending institution within the meaning given to that expression in the Housing Act 1985 or the Housing (Northern Ireland) Order 1983 (as amended by the Housing (Northern Ireland) Order 1986, the Housing (Northern Ireland) Order 1992 and the Housing (Northern Ireland) Order 2003) or, in Scotland, a recognised lending institution in terms of the Housing (Scotland) Act 1987;

- (ii) the original advance or Further Advance was made to a person exercising the right to buy;
  - (iii) either the Loan (and Further Advance, if applicable) was made for the sole purpose of enabling the recipient thereof to purchase or re mortgage the relevant Property or, in cases where additional amounts have been advanced to the Borrower and the relevant local authority's statutory charge or standard security has not been postponed, there exists legal, valid, binding and enforceable insurance cover in respect of any losses which could arise by virtue of the local authority's statutory charge or standard security;
  - (iv) where the Property comprises an ex-council flat, the minimum property value is £25,000 and the block contains no more than ten floors (any ex-council flat in a block containing more than ten floors could only be agreed by exception);
- (aa) no Loan is subject to any right of set off, lien counterclaim or defence (including any equivalent or analogous right arising under the Law of Scotland) and there are no outstanding claims by the relevant Legal Title Holder or the Seller, as applicable in respect of any material breaches of the terms of any Loan;
  - (bb) neither the Legal Title Holders nor the Seller, as applicable, has waived and, so far as the Seller is aware, no Originator has waived any of its rights under or in relation to a Loan, which would materially reduce the value of the Loan;
  - (cc) in respect of any Loan, each of the relevant Originator, the relevant Legal Title Holder, as applicable and the Seller has complied in all material respects with the FCA Handbook;
  - (dd) each officer or employee of the relevant Legal Title Holder or the Seller, as applicable, or so far as the Seller is aware, the relevant Originator, in any capacity which involves a controlled function (as defined in the FCA Rules) or involves the supervision of any person or persons so engaged in respect of the Loans and the Related Security is and was at all relevant times a validly registered "**approved person**" in accordance with the FCA Rules;
  - (ee) each Originator has created and each of the relevant Legal Title Holder or the Seller, as applicable, has maintained all records in respect of the Loans in accordance with the FCA Rules and any other Regulatory Requirements;
  - (ff) no Loan or Related Security comprises or includes (or comprises or includes an interest in) stock or marketable securities (within the meaning of section 122 of Stamp Act 1891), chargeable securities (within the meaning of section 99 of the Finance Act 1986) or a chargeable interest (within the meaning of section 48 of Finance Act 2003, section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013) or section 4 of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017);
  - (gg) neither the relevant Originator, the relevant Legal Title Holder, as applicable nor the Seller has altered in any material respect the terms of any letter of offer accepted by a Borrower relating to a Loan or otherwise changed in any material respect any of the terms and conditions relating to any Loan other than in accordance with the terms and conditions of the letter of offer relating to a Loan as accepted by the applicable Borrower;
  - (hh) the terms of the Loan Agreement or Related Security relating to each Loan are not "**unfair terms**" within the meaning of the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contract Regulations 1999 but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;

- (ii) so far as the Seller is aware, in relation to each Loan entered into before 31 October 2004, the relevant Originator has complied in all material respects with the Mortgage Code issued by the Council of Mortgage Lenders' Code of Practice;
- (jj) so far the Seller is aware, in respect of each Loan entered into before 21 July 2009, the relevant Originator has received no complaints that it has not complied with the terms of the OFT's November 1997 Guidelines for Non Status Mortgage Lenders;
- (kk) in relation to each Non-PFL Mortgage that is an English Mortgage every person who, at the date upon which the relevant Loan was made, had attained the age of seventeen and who had been notified to the relevant Legal Title Holder, as applicable, or the relevant Originator as residing or being about to reside in a Property subject to a Non-PFL Mortgage, is either the relevant Borrower or has signed a Deed of Consent (except in relation to any Buy to Let Loans);
- (ll) in relation to each Non-PFL Mortgage that is a Scottish Mortgage, all necessary MH/CP Documentation has been obtained so as to ensure that neither the relevant Property nor the relevant Mortgage is subject to any right of occupancy;
- (mm) each Property is insured (from the date of completion of the relevant Loan):
  - (a) under a Third Party Buildings Policies;
  - (b) with a reputable insurance company approved or not objected to by the relevant Legal Title Holder or, as applicable, the Seller or the relevant Originator; and
  - (c) against all risks usually covered by a Reasonable, Prudent Mortgage Lender in England and Wales and Scotland as applicable, advancing money on the security of residential property; and
  - (d) to an amount not less than the full reinstatement cost as determined by the relevant valuer or automated valuation model (as applicable).
- (nn) the Insurance Policies are in full force and effect and, all premiums payable thereon have been paid and, so far as the Seller is aware, the relevant Insurance Policies are valid and enforceable and the Seller has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
- (oo) as far as the Seller is aware, there is no claim disputed and outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and the Seller is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;
- (pp) save for Title Deeds held at the Land Registry or the Registers of Scotland or Northern Ireland Land Registry or the Registry of Deeds, Belfast or in relation to a Certificate of Insurance Loan to the Title Deeds held or being dealt with by Approved Solicitors acting on behalf of the relevant Originator or the relevant Legal Title Holder, all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by (i) the Seller or its agents, (ii) the relevant Legal Title Holder, as applicable, or its agents or (iii) the relevant Legal Title Holder's agents or solicitors to the order of the Seller, and the Title Deeds held at the Land Registry or the Registers of Scotland or Northern Ireland Land Registry or the Registry of Deeds, Belfast are held on the basis that any such Title Deeds shall be returned to the Seller or its solicitors or agents;

- (qq) (i) the Seller is the absolute unencumbered beneficial owner of, each Loan and its Related Security, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption and subject to registration or recording at Land Registry or the Registers of Scotland of the Seller as proprietor or heritable creditor of the relevant Non-PFL Mortgage; and
- (ii) the Legal Title Holders have good and marketable legal title to each Loan and its Related Security;
- (rr) the Seller has not and, so far as the Seller is aware, none of the relevant Legal Title Holder or the relevant Originator has received written notice and is not aware of any litigation or claim which may have a material adverse effect on the Seller's title to any Loan or Related Security;
- (ss) the Seller has and, so far as the Seller is aware, the relevant Originator and the relevant Legal Title Holders have complied with all applicable requirements of law or of any person who has regulatory authority which has the force of law in respect of the Loan and Related Security, in particular the provisions of the FCA Mortgages and Home Finance; Conduct of Business sourcebook as amended from time to time;
- (tt) the Seller has at all relevant times (i) held a registration under the Data Protection Act 1998, or equivalent or (ii) paid a data protection fee to the Information Commissioner's officer, in each, as applicable and where required to do so to enable it to perform its obligations under the Transaction Documents to which it is a party;
- (uu) each Legal Title Holder and the Seller have at all relevant times held a subsisting licence under the terms of the Consumer Credit Act 1974 and any applicable successor legislation to carry on consumer credit business in England and Wales;
- (vv) from and including 31 October 2004:
  - (i) each of the Seller, the Legal Title Holder and the Originators have been, and, in relation to the Seller and the relevant Legal Title Holder continues to be, authorised by and hold appropriate permissions from the FCA to conduct all applicable Regulated Mortgage Activities in respect of the Loans; and
  - (ii) each of the Seller, the Legal Title Holders and the Originators have complied with the provisions of MCOB where applicable in respect of all Loans;
- (ww) so far as the Seller is aware, each intermediary that introduced a Loan to the relevant Originator on or after 31 October 2004 was authorised by the FSA;
- (xx) all formal approvals, consents and other steps necessary to permit an assignment and assignation of the Loans and their related Non-PFL Mortgages and the other Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken;
- (yy) each of the Seller, the relevant Legal Title Holder and the relevant Originator have, since the making of each Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its Non-PFL Mortgage and the Related Security and all such accounts, books and records are in the possession of the Seller (or its agents) as would be done by a Reasonable, Prudent Mortgage Lender;
- (zz) each Loan sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement will be, at the time when the Issuer acquires such Loan, a "**financial asset**" as defined in: (i) United

Kingdom Financial Reporting Standard 102 ("**FRS 102**") (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with FRS 102); or (ii) International Financial Reporting Standard 9 ("**IFRS 9**") (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with IFRS 9);

- (aaa) the Seller is authorised by, holds appropriate permissions from the FCA to conduct all Regulated Mortgage Activities and has complied with the provisions of MCOB in respect of each Further Advance;
- (bbb) no Borrower, mortgagor or guarantor of a Borrower's obligations is an employee or director of the Seller as at the date of the Mortgage Sale Agreement;
- (ccc) in respect of each Buy to Let Loan and in substitution for the Loan Warranties set out in paragraphs (m), (r), (v) and (w) above:
  - (i) the relevant tenancy, if any, is (A) an assured shorthold tenancy within the meaning of the Housing Act 1988 or (in relation to any Scottish Loan) a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (an "**Assured Shorthold Tenancy**") for a fixed term not more than 12 months or a private residential tenancy within the meaning of The Private Housing (Tenancies) (Scotland) Act 2016 (a "**PRT**") or, where the Housing Act 1988, the Housing (Scotland) Act 1988 or The Private Housing (Tenancies) (Scotland) Act 2016 do not apply to the tenancy, a tenancy agreement on terms no less favourable to the Seller as would be the case if the tenancy had been an Assured Shorthold Tenancy (an "**Other Tenancy Agreement**") and together with the Assured Shorthold Tenancies and PRTs, the "**Existing Tenancy Agreements**") and (B) the Seller is not aware of any material breach of such Existing Tenancy Agreements;
  - (ii) the relevant Originator caused to be made on its behalf a valuation of the relevant Property together with the relevant rental income estimate (except in the case of a House Plus Loan which is assessed on a Borrowers' self certified income) of the relevant Property by a valuer in all material respects in accordance with the Lending Criteria;
  - (iii) if the relevant Property is secured by a Non-PFL Mortgage that is an English Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry, any subsequent ranking mortgage and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant Local Authority) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
    - (A) the lease cannot be forfeited on the bankruptcy of the tenant;
    - (B) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
    - (C) a copy of the consent or notice has been or will be placed with the Title Deeds;

in relation to each Non-PFL Mortgage that is a Scottish Mortgage, if the relevant Property is secured by a Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the

Registers of Scotland) free (save for the Non-PFL Mortgage and any subsequent ranking heritable security and subject to any Existing Tenancy Agreements and, in relation to a Right to Buy Loan, any Standard Security which may arise or be granted in favour of the relevant Local Authority which has not been postponed) from any encumbrance which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:

- (I) the lease cannot be irritated on the bankruptcy or sequestration of the tenant;
  - (II) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (III) a copy of the consent or notice has been or will be placed with the title deeds;
- (ddd) the Seller has good and marketable title to, and is the absolute unencumbered beneficial owner of, each Buy to Let Loan and its Related Security, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption, any Existing Tenancy Agreements and subject to registration or recording at the Land Registry or the Registers of Scotland or the Northern Ireland Land Registry or the Register of Deeds, Belfast of the Seller as proprietor or registered owner of the relevant Non-PFL Mortgage;
- (eee) none of the Non-PFL Legal Title Holders directly sold, to any Borrower in respect of a Non-PFL Mortgage in the Portfolio, any PPI Policy; and
- (fff) the Related Security consists wholly and exclusively of rights held by way of security and does not compromise any beneficial entitlement to any other assets other than assets which are rights held by way of security.

Neither the Security Trustee, nor the Note Trustee, nor the Arranger, nor the Sole Lead Manager, have undertaken any additional due diligence in respect of the application of the Lending Criteria and have relied entirely upon the warranties referred to above which will be made by the Seller to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

For the avoidance of doubt, each reference to a 'Loan' in a Loan Warranty shall where the context requires include any Further Advances made in respect of that Loan on or prior to the Closing Date. References in Loan Warranties to the "FCA" shall be taken to include the Financial Services Authority as the context requires.

**"Loan Warranty"** means the warranties as described in the Mortgage Sale Agreement.

**"MH/CP Documentation"** means an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or property secured thereby.

**"Mortgage Conditions"** means all the terms and conditions applicable to a Loan, including without limitation those set out in the Seller's (or, as applicable, the relevant Legal Title Holder's or Originator's) relevant mortgage conditions booklet and the Originator's relevant general conditions, each as varied from time to time by the relevant loan agreement and the relevant Mortgage Deed.

**"PPI Policy"** means a life, accident, sickness and unemployment insurance policy in respect of any Mortgage in the Portfolio which provides cover in respect of a Borrower's contractual monthly payment under such Mortgage in the event of that Borrower being sick or unemployed, suffering an accident or dying.



**"Regulated Mortgage Activity"** means each and any of the activities falling within articles 25A, 53A, 61 and 64 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended).

**"Regulatory Requirements"** means any applicable requirement of law or of any person who has regulatory authority which has the force of law.

**"Underpayments or Payment Holidays"** means any underpayment and payment holiday feature of a product where the borrower who is not in arrears can apply to defer one or more monthly payments or apply to underpay.

***Capital Costs, Further Advances and Product Switches***

Capital Costs will (where applicable in accordance with the terms and conditions of the Loans) be added to the balance of the relevant Loan and will be funded out of the Retained Principal Receipts Ledger.

The Issuer no longer permits Further Advances or Product Switches.

**"Capital Costs"** means any costs relating to any works required to protect the security of the Issuer over the property where the relevant Borrower has not been able to remedy any damage caused to such property (for example as a result of the Borrower not being able to claim under its insurance policy) and where such costs can be capitalised in accordance with the terms and conditions of the Loan.

As used in this Prospectus, **"Initial Advance"** means all amounts advanced by the Seller (or, as applicable, an Originator) to a Borrower under a Loan other than a Further Advance.

**"Further Advance"** means, in relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage.

**"Product Switch"** means any variation in the financial terms and conditions applicable to a Loan other than any variation:

- (a) agreed with a Borrower to control or manage arrears on the Loan;
- (b) from interest-only to repayment or part-repayment to control or manage repayment of capital shortfalls;
- (c) in the maturity date of the Loan unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes; or
- (d) imposed by statute.

***Repurchase by the Seller***

If:

- (a) a Loan or its Related Security does not comply with the Loan Warranties (including any Flexible Drawing which does not comply with the Loan Warranties on the relevant Monthly Test Date by reference to the circumstances existing as at the date the relevant Flexible Drawing was advanced), such non-compliance causes a material adverse effect on the value

of that Loan (as determined by the Servicer in accordance with the Servicing Agreement), and if the default (if capable of remedy) cannot be or is not cured within 90 Business Days of the Seller receiving notice of such non compliance; or

- (b) a Scottish Mortgage is or has been subject to enforcement proceedings that are successfully challenged by a Borrower on the ground that legal title to that Mortgage is not vested in the Seller,

then the Seller will, upon receipt of notice from the Issuer, be required to repurchase the relevant Loan and its Related Security (and any other Loans secured or intended to be secured by that Related Security or any part of it) from the Issuer in accordance with the Mortgage Sale Agreement. The repurchase price shall be the Current Balance of the relevant loan *plus* any Accrued Interest on the Monthly Pool Date immediately following a determination by the Seller that such breach or breaches cannot be remedied or failure by the Seller to remedy such breach or breaches.

**"Business Day"** means a day other than a Saturday or Sunday on which banks are generally open for business in London.

**"Calculation Date"** means the 10th of March, June, September and December or if such day is not a Business Day, the next following Business Day.

**"Collection Period"** means the quarterly period commencing on and including the Collection Period Start Date and ending on and including the last calendar day before the immediately following Collection Period Start Date except that the first Collection Period will commence on 6 August 2019 and end on 28 February 2020.

**"Collection Period End Date"** means the last day of the calendar quarter immediately preceding the immediately following Calculation Date.

**"Collection Period Start Date"** means the 1<sup>st</sup> of March, June, September and December except that the first Collection Period Start Date will be 6 August 2019 and the second Collection Period Start Date will be 1 March 2020.

The **"Current Balance"** of a Loan means, on any date, the aggregate balance of the Loan at such date (but avoiding double counting) including:

- (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance and any Flexible Drawing) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment (including, for the avoidance of doubt, Capital Costs and any costs or fees incurred in connection with the recovery of that Loan) which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Arrears of Interest and any costs or fees incurred in connection with the recovery of that Loan) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage (but excluding any Accrued Interest),

as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released.

"**Flexible Drawing**" means, in relation to a Flexible Loan, any further drawing of monies made by a Borrower under that Flexible Loan which the Borrower is contractually permitted to demand.

"**Flexible Loan**" means a type of Loan product that typically incorporates features that give the Borrower options (which may be subject to certain conditions) to, amongst other things, advance further drawings on the mortgage loan account and/or to overpay or underpay interest and principal in a given month and/or to take a Payment Holiday.

"**Insolvency Event**" means, in respect of the Issuer, the Servicer, the Back-Up Servicer, the Corporate Services Provider, the Liquidation Agent, any Agent, the Cash Manager or the Back-Up Cash Manager (each, for the purposes of this definition, a "**Relevant Entity**"):

- (a) an order is made or an effective resolution passed for the winding up of the Relevant Entity:  
or
- (b) the Relevant Entity ceases or threatens to cease to carry on the whole of its business or stops payment or threatens to stop payment of its debts or is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amounts of its liabilities (taking into account, for both these purposes, contingent and prospective liabilities) or otherwise becomes insolvent; or
- (c) proceedings (including, but not limited to, presentation of an application for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) are initiated against the Relevant Entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the Relevant Entity is solvent) or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or the substantial part of the undertaking or assets of the Relevant Entity or the appointment of an administrator takes effect; or a distress, execution or diligence or other process is enforced upon the whole or the substantial part of the undertaking or assets of the Relevant Entity and in any of the foregoing cases it is not discharged within 15 Business Days; or if the Relevant Entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness; or
- (d) the exercise in respect of it of one or more of the stabilisation powers pursuant to Part 1 of the banking Act 2009 and/or the institution against it of a bank insolvency proceeding pursuant to Part 2 of the Banking Act 2009 or a bank administration proceeding pursuant to Part 3 of the Banking Act 2009 (or equivalent proceedings in other jurisdictions).

"**Loan Files**" means the file or files relating to each Loan (including files kept in microfiche form or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing *inter alia* correspondence between the relevant Borrower and the relevant Legal Title Holder and including mortgage documentation applicable to the Loan, each letter of offer for that Loan, a valuation report (if applicable) and, to that extent available, the solicitor's, licensed or qualified conveyancer's certificate of title.

**"LTH Standard Variable Rate"** means the relevant standard variable rate set by the relevant Legal Title Holder in relation to applicable Standard Variable Rate Mortgages owned by that Legal Title Holder on their residential mortgage book.

**"Monthly Period"** means the monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month except that the first Monthly Period will commence on 6 August 2019 and end on the last calendar day of August 2019.

**"Monthly Period End Date"** means the last day of the calendar month.

**"Monthly Pool Date"** means (a) the first day of the calendar month immediately following each Monthly Period End Date; or (b) where such day is not a Business Day, the following Business Day.

**"Mortgage"** means in respect of any English Loan each first fixed charge by way of legal mortgage, or in respect of any Northern Irish Loan each legal charge or legal mortgage, or in respect of any Scottish Loan each first ranking standard security which is, or is to be held in trust, sold, assigned or transferred by the Seller to the Issuer pursuant to the Mortgage Sale Agreement which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it.

**"Property"** means a freehold, heritable, leasehold or commonhold property which is subject to a Mortgage.

**"Reasonable, Prudent Mortgage Lender"** means a reasonably prudent residential mortgage lender lending to borrowers in England, Wales, Scotland and Northern Ireland of the type contemplated in the relevant Lending Criteria on terms similar to those set out in the relevant Lending Criteria.

**"Related Security"** 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 acquired as part of any Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement.

**"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 (a) section 156 of the Housing Act 1985 excluding however such Loans in respect of which the statutory charge referred to in section 155 of the Housing Act 1985 has expired (in the case of English Mortgages) or (b) 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 section 61 of the Housing (Scotland) Act 1987 (as amended) (in the case of Scottish Mortgages) excluding however any such Loans in respect of which the period during which the standard security in favour of the seller of the Property referred to in section 72 of the Housing (Scotland) Act 1987 is of effect has expired or (c) under the relevant provisions of the Housing (Northern Ireland) Order 1983 (as amended by the Housing (Northern Ireland) Order 1986, the Housing (Northern Ireland) Order 1992 and the Housing (Northern Ireland) Order 2003) excluding however such loan in respect of which the charge in favour of the Northern Ireland Housing Executive has expired.

**"Scottish Mortgage"** means a first ranking standard security over a Property located in Scotland.

**"Standard Variable Rates"** or **"SVR"** means each Legal Title Holder's individual Standard Variable Rate and the Issuer Standard Variable Rate, as the context may require.

**"Title Deeds"** means, in relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds, certificates and all other documents which relate to the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage.

### ***Indemnity in respect of certain commissions***

In the event that: (i) a Borrower under a Loan purchased an insurance policy from a third party; (ii) the Seller, PFL, MAS2, MAS4, MAS5 or MAS6 received a commission from such third party in connection with the sale of such insurance policy; and (iii) the Issuer or originator is or becomes required by any law or regulation (including any guidance issued by a regulator) to provide compensation to such Borrower in respect of all or part of such commissions or in respect of any other sums in connection with the relevant insurance policy (each such event, a "**Third Party Insurance Event**"), the Seller, under the Mortgage Sale Agreement, shall indemnify the Issuer promptly on demand in respect of any losses suffered by the Issuer arising out of such Third Party Insurance Event.

### ***Transfer of obligations***

Pursuant to the terms of the Mortgage Sale Agreement, the Seller may assign, transfer or novate any of their rights, obligations and liabilities (other than any obligations relating to retentions of 5 per cent. of the nominal value of each of the tranches sold or transferred to the investors, except to the extent such obligation is capable of being transferred or novated in accordance with the applicable legislation and regulation and would not cause the transaction to cease to be compliant with the risk retention requirements under Article 6(1) of the Securitisation Regulation (as such article is interpreted and applied on the date hereof and not taking into account any relevant national measures) to one of its subsidiaries. In that event, the obligations, liabilities and rights of the Seller will become the obligations, liabilities and rights of the entity acquiring them. The Seller will, pursuant to the terms of the Mortgage Sale Agreement, provide to the Issuer a guarantee of the performance of any such obligations acquired by the relevant entity.

### ***Governing Law***

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law (other than certain aspects relating to the Scottish Loans and their Related Security which are governed by Scots law, and certain aspects relating to the Northern Irish Loans and their Related Security which are governed by Northern Irish law).

### ***Servicing Agreement***

#### ***Introduction***

The parties to the Servicing Agreement to be entered into on or about the Closing Date will be the Issuer, the Security Trustee, the Seller, the Legal Title Holders, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager, the Third Party Collection Agent and the Servicer.

On or about the Closing Date, the Servicer will be appointed by the Issuer. The Servicer must comply with any proper directions and instructions that the Issuer or, following service of a Note Acceleration Notice, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement.

The Servicer's actions in servicing the Loans and their Related Security in accordance with its procedures are binding on the Issuer. The Servicer may delegate all or any of its obligations as Servicer subject to and in accordance with the terms thereof including re-transfer to the Seller of the servicing of certain Loans where the Borrower under such Loan is vulnerable or where the situation otherwise merits sensitive handling. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor.

### ***Powers***

Subject to the guidelines for servicing set forth in the preceding section, the Servicer has the power, among other things:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the 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 servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

### ***Undertakings by the Servicer***

The Servicer has undertaken, among other things, to:

- (a) service the Loans and their Related Security sold by the Seller to the Issuer as if the same had not been sold to the Issuer but had remained with the Seller in accordance with the Seller's servicing, arrears and enforcement processes, policies and procedures forming part of the Seller's policy from time to time as they apply to those Loans (the "**Seller's Policies**");
- (b) calculate on each Business Day, based upon balances obtained from the Collection Account Bank, amounts of cleared funds available to be transferred to the Relevant Deposit Account and on the same Business Day to instruct the Collection Account Bank to make transfers of such amounts to the Relevant Deposit Account;
- (c) deliver to the Issuer, Seller, the Cash Manager and Security Trustee and/or the Rating Agencies a report in a prescribed form in order to meet the Bank of England's Discount Window Facility requirements for residential mortgage backed securities;
- (d) deliver certain other reports to the Cash Manager, the Issuer and (upon request) the Seller;
- (e) assess and service any Capitalisation in accordance with the Capitalisation Policy as it applies to the relevant Loans from time to time;
- (f) deal with Flexible Drawings, Underpayments, Payment Holidays requests in accordance with the provisions of the Mortgage Sale Agreement and the Servicing Agreement and notify the Issuer, the Seller and Cash Manager by way of a Redraw Notice;
- (g) provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender;
- (h) comply with any proper directions, orders and instructions which the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement and, in the event of any conflict, those of the Security Trustee shall prevail;
- (i) maintain all approvals, authorisations, permissions, consents and licences considered from time to time by the Servicer as required for itself in connection with the performance of the Services under the Servicing Agreement and to perform or comply with its obligations under the Servicing Agreement, and to prepare and submit on a timely basis all necessary applications and requests for any further approvals, authorisations, permissions, registrations, consents and licences considered from time to time by the Servicer as required for itself in

connection with the performance of the Services under the Servicing Agreement, including without limitation any necessary notification under the Data Protection Laws and any authorisation and permissions under the FSMA to the extent applicable;

- (j) not knowingly fail to comply with any legal or regulatory requirements in the performance of the Services, including without limitation any rules of the FCA in MCOB or otherwise;
- (k) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions required by law;
- (l) at all times perform its obligations in the United Kingdom;
- (m) not without the prior written consent of the Security Trustee amend or terminate any of the Transaction Documents to which the Servicer is a party save in accordance with their terms;
- (n) promptly upon determining that a breach of a Loan Warranty is likely to have a material adverse effect on the value of the relevant loan (for the purposes of the Mortgage Sale Agreement, a "**Relevant Breach**"), notify the Issuer, the Seller and the relevant Legal Title Holder in writing of such event;
- (o) deliver to the Issuer and the Security Trustee as soon as reasonably practicable but in any event within five Business Days of becoming aware thereof a notice of any Servicer Termination Event or any event which with the giving of notice or lapse of time or certification would constitute the same;
- (p) provide to the Cash Manager reports (as described more fully in the Servicing Agreement) and such other related data or information as the Cash Manager reasonably may request;
- (q) comply with the Seller' Policies; and
- (r) test compliance with the Loan Warranties applicable to Flexible Drawings on the Monthly Test Date falling after the end of the calendar month in which the Flexible Drawings occurred by reference to the circumstances existing as at the date the relevant Flexible Drawing was advanced (the "**Drawings Date**") and notify the Seller in writing of any breach within five Business Days. In such case, the Servicer will assist the Issuer in effecting any required repurchase of the Loans to rectify such breach in accordance with the terms of the Mortgage Sale Agreement.

### ***Setting of Interest Rates on the Loans***

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set, in relation to the Loans in the Portfolio, the standard variable rate applicable to Loans in the Portfolio (the "**Issuer Standard Variable Rate**") and any other discretionary rates or margins applicable in relation to the Loans comprising the Portfolio from time to time. Prior to the occurrence of a Perfection Event, the Servicer will set the Issuer Standard Variable Rate applicable to any Loans with a Standard Variable Rate in the Portfolio at the same level as the standard variable rate which applies to similar Loans owned by the relevant Legal Title Holder outside the Portfolio.

### *Flexible Drawings*

Where the Servicer, on behalf of the relevant Legal Title Holder and the Seller, agrees that a Flexible Drawing may be made by a Borrower as a result of, *inter alia*, the Servicer having determined that the conditions under the relevant Mortgage Conditions for the advancing of the Flexible Drawing have been satisfied by the relevant Borrower, the Servicer shall then notify the relevant Legal Title Holder, the Issuer, the Seller and the Cash Manager by way of a Redraw Notice of the details of the Flexible Drawing (including the amount required to be paid by the Issuer to purchase such Flexible Drawing and the date on which such advance is to be made).

The Servicer, on behalf of and as agent for the relevant Legal Title Holder and the Seller, may agree that a Flexible Drawing may be advanced to a Borrower, provided that the Servicer acts in accordance with the applicable Mortgage Conditions and the Legal Title Holder's Policies and otherwise in a manner which would be acceptable to a Reasonable Prudent Mortgage Lender and further provided that to do so would not cause the Issuer or the Security Trustee to contravene any other Applicable Law or regulations.

### **Compensation of the Servicer**

The Servicer receives a fee for servicing the Loans and their Related Security. The Issuer pays to the Servicer a servicing fee (exclusive of any applicable VAT) being the aggregate of:

- (a) in relation to each Collection Period, a fee calculated on the basis of the number of days elapsed (for which the Servicer was performing the Services) in a 365 day year (or 366 day year in a leap year) at the rate of 0.12 per cent. per annum on the aggregate average Current Balance of all Loans comprising the Portfolio as at the close of business on the last calendar day of each Collection Period, the average balance to be calculated as total Current Balance of all Loans comprising the Portfolio on the first day of the Collection Period *plus* the total Current Balance of all Loans comprising the Portfolio on the last day of the Collection Period divided by two;
- (b) £65 per Loan which is in Arrears per month, charged once per Collection Period, with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period; and
- (c) £140 per Loan which has been repaid in full during a Collection Period, with such calculation notified in writing to the Issuer, the Security Trustee and the Cash Manager within 7 Business Days of the end of each Collection Period in which such repayment occurred.

The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the applicable Priority of Payments.

### ***Removal or Resignation of the Servicer***

The Issuer (subject to the prior written consent of the Security Trustee) may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement and give notice (the "**Back-Up Servicer Notice**") to the Back-Up Servicer that it is to commence its duties under the Back-Up Servicing Agreement and the Replacement Servicing Agreement within 60 calendar days (the "**Back-Up Servicer Succession Date**") if any of the following events (each a "**Servicer Termination Event**") occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement or any other Transaction Document to which it is a party and such default continues unremedied for a period of 30 Business Days after the earlier of the



Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee, as the case may be, requiring the same to be remedied;

- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement or any other Transaction Document to which it is a party, which (i) in the opinion of the Note Trustee is materially prejudicial to the interests of the Noteholders of any Class (which determination shall be conclusive and binding on all other Secured Creditors) or (ii) if there are no Notes then outstanding, all the other Secured Creditors confirm in writing to the Security Trustee, is materially prejudicial to their interests, and such default continues unremedied for a period of thirty Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (following the service of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied, provided however that where the relevant default and receipt of notice of such default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of thirty Business Days, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may in its reasonable discretion specify to remedy such default and/or to indemnify and/or secure and/or pre-fund the Issuer and/or the Security Trustee to its satisfaction (as applicable) against the consequences of such default;
- an Insolvency Event occurs in relation to the Servicer; or
- the Issuer ceases to have any interest in the Portfolio.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 9 months' written notice to the Security Trustee and the Issuer (or such shorter time as may be agreed between the Servicer, the Issuer and the Security Trustee) **provided that** either (i) the Back-Up Servicer is appointed as substitute servicer, on the terms set out in the Back-Up Servicing Agreement; or (ii) a substitute servicer qualified to act as such under the FSMA and with a management team with experience of servicing residential mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on the then current ratings of the Notes issued by the Issuer not being withdrawn, qualified or downgraded as a result of such termination, unless the termination is otherwise agreed by an Extraordinary Resolution of the holders of the Notes. Following resignation, the substitute servicer shall assume and perform all the duties and obligations of the Servicer on substantially the same terms as the Servicing Agreement.

The Servicer may also resign with 30 days' notice if a variation is made to any Transaction Document without the consent of the Servicer which variation would in the opinion of the Servicer (acting reasonably) materially adversely affect the ability of the Servicer to perform the services or materially increase the cost to the Servicer of performing the services, or if any payments due to the Servicer are not paid within 30 days of the due date for payment, provided that if such sums are paid in full prior to the expiry of such period of notice and no previous similar incident has occurred, this Agreement shall not terminate and shall continue in full force and effect.

If the Issuer fails to appoint a substitute within 9 months of the written notice by the Servicer, the Servicer may terminate the Servicing Agreement with immediate effect.

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver the Title Deeds and Loan Files relating to the Loans comprised in the Portfolio in its possession to, or at the direction of, the Issuer. Unless terminated earlier pursuant to its terms, the Servicing Agreement

will terminate at such time as the Issuer has no further interest in any of the Loans or their Related Security serviced under the Servicing Agreement that have been comprised in the Portfolio.

If a Servicer Termination Event occurs, then the Issuer will use reasonable endeavours to appoint the Back-Up Servicer or another Back-Up Servicer with suitable experience and credentials in such form as the Issuer and the Security Trustee shall reasonably require and enter, within 60 days, into a Back-Up Servicing Agreement.

Neither the Note Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

### ***Liability of the Servicer***

The Servicer will indemnify the Seller, the Issuer and the Security Trustee for any Liability suffered or incurred by the Seller, the Issuer and/or the Security in respect of any breach on the part of the Servicer (or any of its subcontractors or delegates) of its duties in carrying out its functions as Servicer under the Servicing Agreement or the other Transaction Documents (including, for the avoidance of doubt, a breach by the Servicer or its subcontractor or delegate in respect of any legal, regulatory or governmental requirements that brings about a Liability to be suffered or incurred by the Seller, the Issuer and/or the Security Trustee).

Without prejudice to such indemnity, the Servicer will not be liable in respect of any losses suffered by the Issuer and/or the Security Trustee and/or any other person as a result of the proper performance of the Services by the Servicer save where such loss is a result of any negligence, fraud or wilful default of the Servicer or as a result of a breach by the Servicer of the terms and provisions of the Servicing Agreement or the other Transaction Documents.

The annual aggregate liability of the Servicer (whether in contract, tort (including negligence), for breach of statutory duty or otherwise, arising out of or in connection with the Servicing Agreement or the other Transaction Documents) will not exceed an amount equal to 200 per cent. of the Servicing Fee paid or payable in the relevant contract year. However, any limitation on such liability, corresponding to the annual aggregate liability of the Servicer, will not apply in the case of its fraud or fraudulent misrepresentation, its wilful misconduct and any other matter for which an exclusion of liability is prohibited or would be void or unenforceable by law.

"**Irrecoverable VAT**" means any amount in respect of VAT incurred by a party to the Transaction Documents (for the purposes of this definition, a "**Relevant Party**") as part of a payment in respect of which it is entitled to be reimbursed or indemnified under the relevant Transaction Documents to the extent that the Relevant Party does not or will not receive and retain a credit or repayment of such VAT as input tax (as that expression is defined in section 24(1) of the Value Added Tax Act 1994).

"**Liability**" means, in respect of any person, any loss, damage, cost, charge, award, claim, demand, expense, judgment, action, proceeding or other liability including, but without limitation, legal costs and expenses properly incurred (including, in each case, Irrecoverable VAT in respect thereof, and excluding Tax suffered by such person on their net income profits or gains);

### ***Back-Up Servicer***

The Back-Up Servicer has agreed to provide certain services to the Issuer whilst the Servicer services the Loans, including mapping data provided by the Servicer in respect of the Loans. In the event of a Servicer Termination Event that is continuing and has not been remedied, the Back-Up Servicer will agree to service the loans on behalf of the Issuer on substantially similar terms to the Servicer.

### ***Third Party Collection Agent***

Under the terms of the Servicing Agreement, PFL as Third Party Collection Agent is appointed by the Issuer and Security Trustee as their lawful agent to administer the monies received in respect of the PFL Mortgages in the PFL Portfolio in the PFL Collection Account and (where applicable) to operate the direct debiting scheme associated with the PFL Collection Account. PFL as Third Party Collection Agent will not be paid any consideration for so acting.

### ***Governing Law***

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law and will be made by way of deed.

### **The Back-Up Servicing Agreement**

On or prior to the Closing Date, the Issuer will enter into the Back-Up Servicing Agreement with, *inter alios*, the Back-Up Servicer and the Security Trustee.

The Back-Up Servicing Agreement provides for the Back-Up Servicer to undertake the servicing services 60 calendar days from the date of the termination of the Servicer in accordance with the Replacement Servicing Agreement. An invocation fee of £200,000 (exclusive of any applicable VAT) is payable to the Back-Up Servicer on the Interest Payment Date immediately following delivery of a Back-Up Servicer Notice, in advance of such undertaking of servicing services.

Under the terms of the Back-Up Servicing Agreement, the liability of the Back-Up Servicer is limited to £40,000 in aggregate per calendar year (prior to invocation). Under the terms of the Replacement Servicing Agreement, the liability of the Replacement Servicer shall be limited in any calendar year to the aggregate of the Servicing Fees paid by the Issuer on the last four Interest Payment Dates (following invocation). In each case, the above shall not include any claim for any increased costs and expenses, loss of profits, business contracts, revenues or anticipated savings, or any special, indirect or consequential damage whatsoever for which liability is hereby excluded.

### ***Governing Law***

The Back-Up Servicing Agreement and any non-contractual obligations arising out of or in respect of it will be governed by English law.

### **Deed of Charge**

On the Closing Date, the Issuer will enter into 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, *inter alia*, the following security (the "**Security**") as trustee for itself and for the benefit of the Secured Creditors (including the Noteholders):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any set-off or netting provisions provided therein) (other than the Subscription Agreement, the Trust Deed, the Deed of Charge, the Scottish Declaration of Trust, each Scottish Supplemental Charge, any Scottish Transfer and any Scottish Sub-Security);

- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans (other than the Scottish Loans) and the Mortgages (other than the Scottish Mortgages) and their other Related Security and other related rights comprised in the Portfolio (other than in respect of the Scottish Loans);
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignment in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Legal Title Holders and PFL (in its capacity as Legal Title Holder and as a former legal title holder of certain PFL Mortgages) over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust) (the "**Scottish Supplemental Charge**");
- (e) a charge by way of 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; and
- (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not the subject of fixed charges or fixed security as aforesaid).

"**Issuer Power of Attorney**" means each of the powers of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge on the Closing Date and the power of attorney granted by the Issuer in favour of the Servicer under the Servicing Agreement on the Closing Date, and "**Issuer Powers of Attorney**" shall be construed accordingly.

"**Legal Title Holder Power of Attorney**" means each power of attorney granted by a Legal Title Holder or PFL in favour of the Issuer and the Security Trustee on the Closing Date substantially in the form set out in the Mortgage Sale Agreement, and each power of attorney granted by a Legal Title Holder in favour of the Servicer on the Closing Date substantially in the form set out in the Servicing Agreement.

"**Secured Creditors**" means the Security Trustee, the Note Trustee, any Receiver, any Appointee of the Note Trustee or the Security Trustee, the Noteholders, the Certificateholders, the Seller, the Servicer (and any replacement thereto), the Back-Up Servicer, the Cash Manager (and any replacement thereto), the Back-Up Cash Manager, the Citi Account Bank, the Corporate Services Provider, the Paying Agents, the Registrar, the Agent Bank, the Liquidation Agent and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

"**Secured Obligations**" means any and all of the monies and liabilities which the Issuer covenants to pay or discharge under the Deed of Charge and all other amounts owed by it to the Secured Creditors under and pursuant to the Transaction Documents.

"**Seller Power of Attorney**" means the power of attorney granted by the Seller in favour of the Issuer and the Security Trustee under the Mortgage Sale Agreement on the Closing Date, and the power of attorney granted by the Seller in favour of the Servicer under the Servicing Agreement on the Closing Date, and "**Seller Powers of Attorney**" shall be construed accordingly.

**"Transaction Documents"** means the Servicing Agreement, the Back-Up Servicing Agreement, the Replacement Servicing Agreement, the Agency Agreement, the Citi Bank Account Agreement, the Cash Management Agreement, the Back-Up Cash Management Agreement, the Liquidation Agent Agreement, the Corporate Services Agreement, the Deed of Charge (including each Scottish Supplemental Charge, any Scottish Sub-Security and any other documents entered into pursuant to the Deed of Charge), the Collection Account Declaration of Trust, the Share Trust Deed, the Issuer Powers of Attorney, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement (including each Scottish Declaration of Trust, any Scottish Transfer and any other documents entered into pursuant to the Mortgage Sale Agreement), the Seller Powers of Attorney, the Legal Title Holder Powers of Attorney, the Trust Deed, the Deed Poll, the Conditions, the Residual Certificates Conditions and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes in each case as may be amended, restated or replaced from time to time.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically (subject to applicable law) following the occurrence of specific events set out in the Deed of Charge, including, among other events, when an Event of Default occurs, except in relation to the Issuer's Scottish assets, where crystallisation will occur on the appointment of administrative receiver or receiver or upon commencement of the winding up of the Issuer. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

#### ***Pre-Acceleration Priorities of Payments***

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, or if no Notes remain outstanding, pursuant to Residual Certificates Condition 9 (*Events of Default*) declaring the Residual Certificates to be immediately due and payable the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Deposit Accounts as described in "*Cashflows – Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer*" and "*Cashflows – Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" below.

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

After the Note Trustee has served a Note Acceleration Notice (which has not been withdrawn) on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, or if no Notes remain outstanding, pursuant to Residual Certificates Condition 9 (*Events of Default*) declaring that any Residual Payments pursuant to the Residual Certificates are immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows – Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" and "*Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*".

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, or if no Notes remain outstanding, pursuant to Residual Certificates Condition 9 (*Events of Default*) declaring that any Residual Payments pursuant to the Residual Certificates are immediately due and payable, **provided that**, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes and/or the Residual Certificates, the Security Trustee will not be entitled to dispose

of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the order of the relevant Priority of Payments) or, once all of the Noteholders have been repaid, to the Certificateholders (and all persons ranking in priority thereto) or the Security Trustee is of the opinion that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the order of the relevant Priority of Payments) or, once all of the Noteholders have been repaid, to the Certificateholders (and all persons ranking in priority thereto), which opinion shall be binding on the Secured Creditors and reached after considering at anytime and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

### ***Governing Law***

The Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law and aspects relating to Scottish Loans and their Related Security (including the Scottish Supplemental Charge entered into pursuant thereto) will be governed by Scots law and aspects relating to Northern Irish loans and their Related Security will be governed by Northern Irish law.

### **Trust Deed**

On or about the Closing Date, the Issuer, the Security Trustee and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes are subject to the provisions in the Trust Deed. The Conditions, the Residual Certificates Conditions, the forms of the Notes and the Residual Certificates are constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes and the Residual Certificates on trust for the Noteholders and the Certificateholders.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Note Trustee together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under or in connection with the Trust Deed and the other Transaction Documents.

### ***Retirement/removal of Note Trustee***

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without giving any reason therefor and without being responsible for any Liabilities incurred by reason of such retirement. The holders of the Most Senior Class of Notes outstanding (or, if no Notes remain outstanding, the Most Senior Class of Certificateholders) may by Extraordinary Resolution remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The retirement or removal of the Note Trustee shall not become effective unless there remains a trustee (being a Trust Corporation) in office after such retirement or being removed by Extraordinary Resolution. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as practicable thereafter and if, after 60

days from the date the Note Trustee gives its notice of retirement the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed.

"**Trust Corporation**" means a corporation entitled by rules made under the Public Trustee Act 1906 to carry out the functions of a custodian trustee.

### ***Governing Law***

The Trust Deed and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **Agency Agreement**

On or prior to the Closing Date, the Issuer, the Note Trustee, the Principal Paying Agent, the Agent Bank, the Registrar and the Security Trustee will enter into the Agency Agreement pursuant to which provision will be made for, among other things, payment of principal and interest in respect of the Notes.

### ***Governing Law***

The Agency Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **Cash Management Agreement**

On the Closing Date, the Cash Manager, the Issuer, the Seller, the Servicer 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 effecting payments to and from the Deposit Accounts. In addition, the Cash Manager will provide various services as set out more fully in the Cash Management Agreement including the following:

- (a) apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the relevant Priority of Payments;
- (b) record credits to, and debits from, the Retained Principal Receipts Ledger, the Principal Deficiency Ledgers, the Principal Ledger, the Revenue Ledger, the Issuer Profit Amount Ledger and the Liquidity Reserve Ledger as and when required;
- (c) calculate on each Interest Payment Date the amount of Available Revenue Receipts required to be credited to the Liquidity Reserve Ledger such that amounts standing to the credit of the Liquidity Reserve Ledger would then equal the Liquidity Reserve Target on such Interest Payment Date, and calculate any Excess Liquidity Amounts arising out of such calculation on an Interest Payment Date (after all other calculations have been made);
- (d) calculate on each Interest Payment Date the amount of Principal Receipts required to cure any shortfall on such Interest Payment Date;
- (e) if required (i) during a Determination Period, calculate the Interest Determination Ratio, the Calculated Revenue Receipts and the Calculated Principal Receipts and (ii) following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of

such Determination Period, reconcile the calculations to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amounts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*) and the Cash Management Agreement.

In addition, the Cash Manager will:

- (a) maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:
  - (i) the "**Principal Ledger**", which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
  - (ii) the "**Revenue Ledger**", which will record Available Revenue Receipts received by the Issuer and distribution of the same in accordance with the relevant Priority of Payments;
  - (iii) the "**Retained Principal Receipts Ledger**" which will record (A) amounts credited to such ledger on the Closing Date from the proceeds of issuance of the Notes for such purpose and on each Interest Payment Date thereafter from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments on each Interest Payment Date and (B) withdrawals from such ledger on any Business Day to pay all Capital Costs. Any amounts not applied by the Cash Manager on behalf of the Issuer towards Capital Costs will comprise Available Principal Receipts in respect of such Interest Payment Date to be applied by the Issuer in accordance with the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date (see "*Credit Structure – Retained Principal Receipts Ledger*" and "*Cashflows – Definition of Available Principal Receipts*");
  - (iv) the "**Principal Deficiency Ledger**" which will record on the appropriate sub-ledger as a debit, deficiencies arising from (i) Losses of (x) principal and (y) Un-Capitalised Receipts on the Portfolio and (ii) Principal Receipts applied pursuant to items (a) to (i) inclusive of the Pre-Acceleration Principal Priority of Payments (if any);
  - (v) the "**Issuer Profit Amount Ledger**" which shall record, as a credit, amounts retained by the Issuer as profit in accordance with the Revenue Priority of Payments and the Post-Acceleration Priority of Payments; and
  - (vi) the "**Liquidity Reserve Ledger**" which shall record (i) as a credit, amounts applied towards the Liquidity Reserve Ledger up to the Liquidity Reserve Target in accordance with item (h) of the Revenue Priority of Payments and (ii) as a debit, any withdrawals of amounts required on an Interest Payment Date to be applied towards any shortfall in Available Revenue Receipts to meet items (a) to (e) and (g) of the Revenue Priority of Payments.
- (b) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Interest Payment Date; and
- (c) provide the Issuer, the Seller, the Security Trustee, the Noteholders, the Certificateholders and the Rating Agencies with the monthly Investor Report by no later than 20 Business Days following the relevant Monthly Period End Date.



## **Investor Reports and information**

### ***Reporting under the Securitisation Regulation***

The Cash Manager on behalf of the Issuer shall:

- (a) publish a quarterly investor report in respect of the relevant Collection Period, as required by and in accordance with Article 7(1)(e) of the Securitisation Regulation, which shall be provided (i) as at the Closing Date and prior to the date on which the ESMA relevant technical standards being prepared on disclosure requirements required under the Securitisation Regulation have been implemented, in the form of the standardised template set out in Annex VIII of the Delegated Regulation (EU) No 2015/3 as required by Article 43(8) of the Securitisation Regulation and (ii) following the technical standards required under the Securitisation Regulation coming into effect, in the manner required by such technical standards;
- (b) publish (simultaneously with the report referred to in paragraph (a) above) on a quarterly basis certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the Securitisation Regulation which shall be provided (i) as at the Closing Date and prior to the date on which the technical standards being prepared under the Securitisation Regulation, in the form of the standardised template set out in Annex I of the Delegated Regulation (EU) No 2015/3 as required by Article 43(8) of the Securitisation Regulation and (ii) following the technical standards required under the Securitisation Regulation coming into effect, in the manner required by such technical standards;
- (c) publish on the website of European Data Warehouse at <https://editor.eurowd.eu/home> any information required to be reported pursuant to Article 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay. Such information will also be made available, on request, to potential holders of the Notes; and
- (d) within 15 days of the issuance of the Notes, make available via the website of European DataWarehouse at <https://editor.eurowd.eu/home> copies of the Transaction Documents and this Prospectus.

The reports set out above shall be published on the website of European DataWarehouse at <https://editor.eurowd.eu/home>, being a website which conforms with the requirements set out in Article 7(2) of the Securitisation Regulation and each such report and loan-by-loan and other information shall be made available no later than one month following the Interest Payment Date following the Collection Period to which it relates. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. To the extent any technical standards prepared under the Securitisation Regulation come into effect after the date of this Prospectus and require such reports to be published in a different manner or on a different website, the Issuer (as designated entity for the purposes of the Securitisation Regulation) shall comply with the requirements of such technical standards and procure compliance by the Cash Manager with such technical standards or other third party services provider when publishing such reports.

The Cash Manager will (as authorised by the Issuer) make the information referred to in the section headed "*Reporting under the Securitisation Regulation*" above available to the Noteholders and Certificateholders, relevant competent authorities (including for the avoidance of doubt the FCA) and, upon request, potential investors in the Notes. In addition, the Issuer confirms that the Cash Manager on behalf of the Issuer has made available the documents required by Article 7(1)(b) of the Securitisation Regulation prior to the pricing date of the Notes.

### ***Bank of England Reporting***

The Seller (as originator) will procure that the Cash Manager will publish a monthly investor report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio in the form required by the Bank of England for the purpose of the Bank of England's sterling monetary framework.

Such reports will be published on (i) the Seller's website at <https://www.co-operativebank.co.uk/investorrelations/debtinvestors/warwickfinancermbs> and (ii) published on the website of European DataWarehouse at <https://editor.eurowd.eu/home> and (iii) delivered to the Issuer, the Security Trustee, the Seller and the Rating Agencies by no later than 20 Business Days following receipt by the Cash Manager of written request.

### ***Remuneration of Cash Manager***

The Cash Manager will be paid a fee of £10,000 per annum (exclusive of any applicable VAT) for its cash management services under the Cash Management Agreement quarterly in arrears on each Interest Payment Date. Each payment will be made in the manner contemplated by and in accordance with the relevant Priority of Payments.

### ***Termination of Appointment and Replacement of Cash Manager***

In certain circumstances the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee may terminate the appointment of the Cash Manager and use reasonable endeavours to appoint the Back-Up Cash Manager or otherwise a substitute cash manager (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will (i) in the case of the Back-Up Cash Manager, assume the core responsibility for cash management and certain other responsibilities referred to in the Replacement Cash Management Agreement, and (ii) in any other case, be expected to assume substantially similar substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher). Such circumstances are as follows (each a "**Cash Manager Termination Event**"):

- (a) *Non-payment*: 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 ten 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 service of a Note Acceleration Notice, the Security Trustee, as the case may be, requiring the same to be remedied; or
- (b) *Breach of other obligations*: 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 Note Trustee is materially prejudicial to the interests of the Noteholders of any Class (which determination shall be conclusive and binding on all other Secured Creditors) and such default continues unremedied for a period of 30 Business Days after the earlier of the Cash Manager becoming aware of such default (where capable of remedy) and receipt by the Cash Manager of written notice from the Issuer or the Security Trustee (following the service of a Note Acceleration Notice), as the case may be, requiring the same to be remedied (where capable of remedy); or
- (c) *Insolvency Event*: an Insolvency Event occurs with respect to the Cash Manager.

For the avoidance of doubt, if after using reasonable endeavours to enter into such a replacement management agreement, the Issuer (or Security Trustee, as applicable) is unable to find a suitable third party willing to act as a replacement Cash Manager, this shall not constitute any breach of the provisions of the Cash Management Agreement.

### ***Back-Up Cash Manager***

The Issuer shall maintain the appointment of a back-up cash manager so long as a Back-Up Cash Manager Event is subsisting. On the Closing Date, Citi will be appointed as Back-Up Cash Manager.

"**Back-Up Cash Manager Event**" means the Cash Manager's long term counterparty risk assessment ceases to be at least, (i) BBB (low) from DBRS or (iii) BBB- by S&P or, if unavailable, the long-term, unsecured, unguaranteed and unsubordinated debt obligations of the Cash Manager cease to be rated at least BBB (low) by DBRS / BBB- by S&P (or such other long term rating as is otherwise acceptable).

### ***Governing Law***

The Cash Management Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **Back-Up Cash Management Agreement and Replacement Cash Management Agreement**

The Issuer has appointed the Back-Up Cash Manager pursuant to the Back-Up Cash Management Agreement.

*Following the occurrence of certain events (see, amongst others, the section entitled "Transaction Overview – Triggers Tables Triggers Tables – Non-Rating Triggers Table" for further information), the appointment of the Cash Manager will be terminated and the Back-Up Cash Manager will be appointed as successor Cash Manager in accordance with the terms of the Back-Up Cash Management Agreement. Pursuant to the Back-Up Cash Management Agreement, the Back-Up Cash Manager has agreed to accept such appointment on the terms of the Replacement Cash Management Agreement.*

### ***Governing Law***

The Back-Up Cash Management Agreement and Replacement Cash Management Agreement and any non-contractual obligations arising out of or in connection with them will be governed by English law.

### ***Liability of the Cash Manager***

The Cash Manager will indemnify each of the Issuer and the Security Trustee on an after-tax basis for any Liability suffered or incurred by it as a direct result of the negligence, fraud or wilful default of the Cash Manager in carrying out its functions as Cash Manager under the terms and provisions of the Cash Management Agreement or such other Transaction Documents to which the Cash Manager is a party (in its capacity as such), other than where such Liability suffered or incurred by either of them is a direct result of the gross negligence, fraud or wilful default of the Issuer or the Security Trustee (as applicable).

### ***Governing Law***

The Back-Up Cash Management Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **The Citi Bank Account Agreement**

Pursuant to the terms of the Citi Bank Account Agreement entered into on or about the Closing Date between the Issuer, the Citi Account Bank, the Cash Manager, the Seller and the Security Trustee, the

Issuer will maintain with the Citi Account Bank the Citi Deposit Account which will be operated in accordance with the Cash Management Agreement and the Deed of Charge.

For so long as the Citi Deposit Account is the Relevant Deposit Account, the Issuer will deposit amounts in the Citi Deposit Account. If the Citi Deposit Account ceases to be the Relevant Deposit Account, the Cash Manager shall deposit all amounts already deposited in the Citi Deposit Account and all amounts received thereafter in the then Relevant Deposit Account.

There are provisions in the fee letter relating to the Citi Bank Account Agreement that allow the Citi Account Bank to charge negative interest on amounts in the Citi Deposit Account. Where negative interest is payable on, in certain circumstances, the Citi Deposit Account, it will cease to be the Relevant Deposit Account and funds shall be transferred to the Replacement Deposit Account, subject to the definition of Replacement Deposit Account.

### ***Governing Law***

The Citi Bank Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **The Corporate Services Agreement**

On or prior to the Closing Date, *inter alia*, the Issuer, the Corporate Services Provider, the Share Trustee, Holdings, the Seller and the Security Trustee will enter into the Corporate Services Agreement pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), the providing of the directors with information in connection with the Issuer and Holdings and the arrangement for the convening of shareholders' and directors' meetings.

### ***Governing Law***

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

## CREDIT STRUCTURE

The Notes and the Residual Certificates are obligations of the Issuer only. The Notes and the Residual Certificates are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes and the Residual Certificates are not obligations of, or the responsibility of, or guaranteed by, the Seller, the Legal Title Holders, the Originators, the Arranger, the Sole Lead Manager, Holdings, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager, the Corporate Services Provider, the Share Trustee, the Liquidation Agent, the Citi Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar, the Note Trustee, 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 or the Residual Certificates shall be accepted by the Seller, the Legal Title Holders, the Originators, the Arranger, the Sole Lead Manager, Holdings, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager, the Corporate Services Provider, the Share Trustee, the Liquidation Agent, the Citi Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar, the Note Trustee, the Security Trustee or by any other person other than the Issuer.

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 amounts payable under items (a) to (p) (inclusive) of the Revenue Priority of Payments. The actual amount of any excess payable under item (q) of the Revenue Priority of Payments 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 (as to which, see "*Risk Factors – Risks related to the Notes – Considerations relating to interest rate mismatches*") and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Revenue Priority of Payments) on each Interest Payment Date in accordance with the Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses of (i) principal and (ii) Un-Capitalised Receipts on the Portfolio (excluding any entries on the Principal Residual Certificate Principal Deficiency Sub-Ledger).

### 2. **Retained Principal Receipts Ledger**

The Cash Manager will maintain the Retained Principal Receipts Ledger pursuant to the Cash Management Agreement. The Retained Principal Receipts Ledger will be funded from the proceeds of issuance of the Notes on the Closing Date and on each Interest Payment Date thereafter from Available Principal Receipts (the "**Retained Principal Receipts**"). The Retained Principal Receipts will be credited to the Retained Principal Receipts Ledger of the Relevant Deposit Account.

The Retained Principal Receipts Ledger will be funded up to the Retained Principal Required Amount in accordance with the Pre-Acceleration Principal Priority of Payments. Amounts standing to the credit of the Retained Principal Receipts Ledger will be applied by the Issuer on any Business Day to pay all Capital Costs. Any amounts standing to the credit of the Retained Principal Receipts Ledger on any Interest Payment Date and not applied by the Cash Manager on the Issuer's behalf towards Capital Costs will be applied by the Issuer (or the

Cash Manager on its behalf) on such Interest Payment Date as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

**"Retained Principal Required Amount"** means (i) on any Calculation Date other than the final Calculation Date, £50,000; (ii) on the final Calculation Date or upon the occurrence of an Event of Default, zero.

### 3. **Principal Deficiency Ledger**

A Principal Deficiency Ledger, comprising seven sub ledgers, known as the "**Class A Principal Deficiency Sub-Ledger**" (relating to the Class A Notes), the "**Class B Principal Deficiency Sub-Ledger**" (relating to the Class B Notes), the "**Class C Principal Deficiency Sub-Ledger**" (relating to the Class C Notes), the "**Class D Principal Deficiency Sub-Ledger**" (relating to the Class D Notes), the "**Class E Principal Deficiency Sub-Ledger**" (relating to the Class E Notes), "**Class F Principal Deficiency Sub-Ledger**" (relating to the Class F Notes) and the "**Principal Residual Certificate Principal Deficiency Sub-Ledger**" (relating to the Principal Residual Certificates) (each a "**Principal Deficiency Sub-Ledger**" and, together, the "**Principal Deficiency Ledger**"), will be established on the Closing Date in order to record any:

(i) Losses of (x) principal and (y) Un-Capitalised Receipts on the Portfolio as allocated against each of the Classes of Notes referenced above; and/or (ii) any use of Available Principal on an Interest Payment Date to fund items referred to in items (a) to (i) of the Pre-Acceleration Principal Priority of Payments.

Losses or debits recorded on the Class A Principal Deficiency Sub-Ledger shall be recorded in respect of the Class A Notes. Losses or debits recorded on the Class B Principal Deficiency Sub-Ledger shall be recorded in respect of the Class B Notes. Losses or debits recorded on the Class C Principal Deficiency Sub-Ledger shall be recorded in respect of the Class C Notes. Losses or debits recorded on the Class D Principal Deficiency Sub-Ledger shall be recorded in respect of the Class D Notes. Losses or debits recorded on the Class E Principal Deficiency Sub-Ledger shall be recorded in respect of the Class E Notes. Losses or debits recorded on the Class F Principal Deficiency Sub-Ledger shall be recorded in respect of the Class F Notes. Available Revenue Receipts will include recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed. Losses of principal to be credited to the Principal Deficiency Ledger will be calculated after applying any recoveries to outstanding interest amounts due and payable on the relevant Loan.

The application of any Losses of (i) principal and (ii) Un-Capitalised Receipts on the Portfolio and/or the use of Available Principal Receipts to fund items referred to in items (a) to (i) of the Pre-Acceleration Principal Priority of Payments will be recorded as a debit:

- (a) *first*, to the Principal Residual Certificate Principal Deficiency Sub-Ledger up to a maximum of the PRC Overcollateralisation Amount less the aggregate amount of (i) all Residual Payments that have been made in respect of the Principal Residual Certificates and (ii) any debit balance on the Principal Residual Certificate Principal Deficiency Ledger since the Closing Date, subject always to a floor of zero;
- (b) *second*, to the Class F Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class E Notes;
- (c) *third*, to the Class E Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class E Notes;

- (d) *fourth*, to the Class D Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class D Notes;
- (e) *fifth*, to the Class C Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class C Notes;
- (f) *sixth*, to the Class B Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class B Notes; and
- (g) *seventh*, to the Class A Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class A Notes.

Amounts allocated to each Principal Deficiency Sub-Ledger (other than the Principal Residual Certificate Principal Deficiency Sub-Ledger) shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the applicable Priority of Payments. Such amounts will be applied in repayment of principal as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

**"PRC Overcollateralisation Amount"** means the amount by which the Current Balance of the Loans exceeds the Principal Amount Outstanding of the Notes, both as at the Closing Date.

**"Losses"** means the aggregate of (a) all realised losses on the Loans which are not recovered from the proceeds following the sale of the Property to which such Loan relates or, if later, upon completion of all relevant enforcement procedures and (b) any loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Loan;

#### 4. **Liquidity Reserve Ledger**

On the Closing Date, proceeds of the issuance of the Notes in an amount equal to the Liquidity Target will be credited to the Liquidity Reserve Ledger. On each Interest Payment Date, Liquidity Reserve Actual Amounts will be available to be applied as Available Revenue Receipts on such date to cure any shortfall in Available Revenue Receipts available to pay interest due on the Class A Notes and the Class B Notes (and to meet any senior expenses ranking in priority thereto) being items (a) to (e) and (g) of the Revenue Priority of Payments, before applying Available Principal Receipts in accordance with items (a) to (e) of the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date. Additionally, on each Interest Payment Date, the Liquidity Reserve Ledger will be replenished up to the Liquidity Reserve Target from Available Revenue Receipts in accordance with item (h) of the Revenue Priority of Payments. On the date on which the Class B Notes are redeemed in full, any amounts standing to the credit of the Liquidity Reserve Ledger will be applied as Available Revenue Receipts.

**"Liquidity Reserve Actual Amount"** means on any Interest Payment Date on and from the Closing Date, the lesser of (1) the Liquidity Reserve Target and (2) the amount standing to the credit of the Liquidity Reserve Ledger plus the amount available to be credited on that date in accordance with item (h) of the Revenue Priority of Payments.

**"Liquidity Reserve Target"** means on any Interest Payment Date up to but excluding the date on which the Class B Notes are redeemed in full, an amount equal to 1% of the Principal Amount Outstanding of the Class A Notes and Class B Notes, as at the Closing Date and thereafter, zero.

5. **Available Revenue Receipts and Available Principal Receipts**

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the relevant Priority of Payments. It is not intended that any surplus will be accumulated in the Issuer, which for the avoidance of doubt does not include £1,000 which the Issuer expects to generate each accounting period as its profit in respect of the business of the Issuer.

If, on any Interest Payment Date whilst there are Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest (other than on the Class A Notes then outstanding) then the Issuer will be entitled under Condition 17 (*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 Most Senior Class of Notes within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.



## CASHFLOWS

### Definition of Revenue Receipts

"**Revenue Receipts**" means (a) payments of interest and other fees due from time to time under the Loans (including any Early Repayment Fees) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced, and (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed.

### 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 received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date and further excluding any amount representing proceeds of the sale of the Loans pursuant to the exercise of the Portfolio Option or pursuant to a Market Portfolio Sale;
- (b) interest payable to the Issuer on the Deposit Accounts to be received on the last day of the immediately preceding Collection Period;
- (c) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts;
- (d) if in a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);
- (e) (i) any insurance proceeds received beneficially, and (ii) where applicable, any indemnity payments received from the Seller in respect of losses incurred by the Issuer arising from a Third Party Insurance Event;
- (f) any amount which has been provided for on an Interest Payment Date in accordance with item (a), (b) or (d) of the Revenue Priority of Payments or item (a), (b), or (d) of the Pre-Acceleration Principal Priority of Payments that has not actually been paid within 15 months of that Interest Payment Date;
- (g) amount standing to the credit of the Liquidity Reserve Ledger (if any), only to the extent of any shortfall required to pay items (a) to (e) and (g) of the Revenue Priority of Payments before applying items (a) to (f) of the Pre-Acceleration Principal Priority of Payments (assuming for the purpose of this paragraph (g) that this paragraph (g) had not applied);
- (h) any Excess Liquidity Amount, where "**Excess Liquidity Amount**" means the amount (if positive) by which the amount credited to the Liquidity Reserve Ledger together with the Liquidity Reserve Actual Amount recorded in the Liquidity Reserve Ledger as at the last Interest Payment Date exceeds the Liquidity Reserve Target as determined on the current Interest Payment Date; and
- (i) amounts standing to the credit of the Liquidity Reserve Ledger on and from the date on which the Class B Notes are redeemed in full;

*less:*

- (A) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
  - (I) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
  - (II) 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; and
  - (III) 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;
  - (IV) fees charged by the providers of the Collection Accounts or any costs incurred by the Seller in relation to the Collection Accounts; and
  - (V) amounts due to the Account Bank (if any) towards payment of interest,(items within this paragraph (A) being collectively referred to herein as "**Third Party Amounts**"). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Deposit Accounts to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere; and
- (B) Revenue Receipts in an amount equal to the Accrued Interest Consideration, which may be applied by the Cash Manager on behalf of the Issuer to make payments of Accrued Interest Consideration to the Seller during the first Collection Period or on the first Interest Payment Date.

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

"**Available Principal Receipts**" means for any Interest Payment Date an amount equal to the aggregate of, (without double counting):

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period or retained in the Retained Principal Receipts Ledger on the last Interest Payment Date (less an amount equal to the aggregate of all amounts applied towards the payment of Capital Costs during such Collection Period) and (ii) received by the Issuer from the Seller (or, as applicable, any entity to which the Seller has transferred its obligations and liabilities and assigned its rights) during the immediately preceding Collection Period and on the Monthly Pool Date immediately following the Collection Period End Date in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller (or, as applicable, any entity to which the Seller has transferred its obligations and liabilities and assigned its rights) pursuant to the Mortgage Sale Agreement, in each case other than any amount representing the purchase price received by the Issuer upon sale of Loans further to the exercise of the Portfolio Option or as by way of a Market Portfolio Sale;
- (b) (in respect of the first Interest Payment Date only) the amount paid into the Relevant Deposit Account on the Closing Date and recorded on the Retained Principal Receipts Ledger to fund the Retained Principal Receipts Ledger for the first Collection Period;

- (c) the amounts (if any) calculated on that Interest Payment Date pursuant to the applicable Pre-Acceleration Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger, the Class B Principal Deficiency Sub-Ledger, the Class C Principal Deficiency Sub-Ledger, the Class D Principal Deficiency Sub-Ledger, the Class E Principal Deficiency Sub-Ledger and/or the Class F Principal Deficiency Sub-Ledger is reduced;
- (d) if in a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);
- (e) the purchase price received by the Issuer upon sale of the Loans further to the exercise of the Portfolio Option or sale of the Loans by way of a Market Portfolio Sale; and
- (f) amounts standing to the credit of the Retained Principal Receipts Ledger on and from the date on which the Notes have been redeemed in full,

*less*

- (g) Principal Receipts being used by the Issuer (or the Cash Manager on its behalf) to purchase Flexible Drawings from the Seller.

#### **Application of Amounts standing to the credit of the Retained Principal Receipts Ledger**

Prior to the service of a Note Acceleration Notice monies standing to the credit of the Retained Principal Receipts Ledger will be applied on any Business Day to pay all Capital Costs. To the extent funds are not applied by the Cash Manager on behalf of the Issuer towards Capital Costs, funds standing to the credit of the Retained Principal Receipts Ledger will form part of Available Principal Receipts.

#### **Accrued Interest Consideration**

Pursuant to the terms of the Mortgage Sale Agreement and the Cash Management Agreement, the Issuer will agree to pay, on or before the first Interest Payment Date, an amount equal to the Accrued Interest Consideration to the Seller from Revenue Receipts received during the first Collection Period.

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

Prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, on each Interest Payment Date the Cash Manager shall apply or provide for the application of the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full): (the "**Revenue Priority of Payments**"):

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

Interest Period to the Security Trustee and 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 Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
  - (ii) any amounts then due and payable to the Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer in the immediately succeeding Interest Period under the provisions of the Back-Up Servicing Agreement (including any invocation fee due to the Back-Up Servicer), together with VAT (if payable) thereon as provided therein;
  - (iii) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) 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 (if payable) VAT thereon as provided therein;
  - (iv) any amounts then due and payable to the Corporate Services Provider and any fees, 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 (if payable) VAT thereon as provided therein; and
  - (v) any amounts then due and payable to the Cash Manager and Back-Up Cash Manager and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the Cash Manager and Back-Up Cash Manager in the immediately succeeding Interest Period under the provisions of (respectively) the Cash Management Agreement or the Back up Cash Management Agreement and the Replacement Cash Management Agreement, together with VAT (if payable) thereon as provided therein;
  - (vi) any amounts then due and payable to the Account Bank or Collection Account Bank and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the such party in the immediately succeeding Interest Period under the provisions of the relevant Bank Account Agreement, together with VAT (if payable) thereon as provided therein; and
  - (vii) any fees and Liabilities due and payable by the Issuer to the Liquidation Agent in accordance with the terms of the Liquidation Agent Agreement;
- (c) *third*, to pay the Issuer an amount equal to the Issuer Profit Amount;
- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

- (i) 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) 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 and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (c) above); and
  - (ii) any Transfer Costs which the Servicer has failed to pay pursuant to Clause 21.4 of the Servicing Agreement;
- (e) *fifth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class A Notes;
  - (f) *sixth*, (so long as the Class A Notes will remain outstanding following such Interest Payment Date), to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
  - (g) *seventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class B Notes;
  - (h) *eighth*, (so long as the Class B Notes will remain outstanding following such Interest Payment Date), amounts to be credited to the Liquidity Reserve Ledger up to the Liquidity Reserve Target;
  - (i) *ninth*, (so long as the Class B Notes will remain outstanding following such Interest Payment Date), to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
  - (j) *tenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class C Notes;
  - (k) *eleventh*, so long as the Class C Notes will remain outstanding following such Interest Payment Date), to credit the Class C Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
  - (l) *twelfth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class D Notes;
  - (m) *thirteenth*, so long as the Class D Notes will remain outstanding following such Interest Payment Date), to credit the Class D Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
  - (n) *fourteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class E Notes;
  - (o) *fifteenth*, so long as the Class E Notes will remain outstanding following such Interest Payment Date), to credit the Class E Principal Deficiency Sub-Ledger in an amount sufficient

to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);

- (p) *sixteenth*, so long as the Class F Notes will remain outstanding following such Interest Payment Date), to credit the Class F Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (q) *seventeenth*, provided that the Interest Payment Date on which these payments are being made does not fall within a Determination Period, any remaining amounts shall be paid as Revenue Residual Payments (being Deferred Consideration for the purchase of the Portfolio) *pro rata* and *pari passu* to the holders of the Revenue Residual Certificates.

#### **Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer**

Prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall, taking into account the amounts applied in the Revenue Priority of Payments, apply Available Principal Receipts in the following order of priority (the "**Pre-Acceleration Principal Priority of Payments**"):

- (a) *first*, the amount specified in item (a) of the Revenue Priority of Payments;
- (b) *second*, the amount specified in item (b) of the Revenue Priority of Payments;
- (c) *third*, the amount specified in item (c) of the Revenue Priority of Payments;
- (d) *fourth*, the amount specified in item (d) of the Revenue Priority of Payments;
- (e) *fifth*, the amount specified in item (e) of the Revenue Priority of Payments only if the Class A Notes are the Most Senior Class;
- (f) *sixth*, the amount specified in item (g) of the Revenue Priority of Payments only if the Class B Notes are the Most Senior Class;
- (g) *seventh*, the amount specified in item (j) of the Revenue Priority of Payments only if the Class C Notes are the Most Senior Class;
- (h) *eighth*, the amount specified in item (l) of the Revenue Priority of Payments only if the Class D Notes are the Most Senior Class;
- (i) *ninth*, the amount specified in item (n) of the Revenue Priority of Payments only if the Class E Notes are the Most Senior Class;
- (j) *tenth*, to replenish the Retained Principal Receipts Ledger;
- (k) *eleventh*, to redeem the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (l) *twelfth*, to redeem the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (m) *thirteenth*, to redeem the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;

- (n) *fourteenth*, to redeem the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (o) *fifteenth*, to redeem the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
- (p) *sixteenth*, to redeem the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero;
- (q) *seventeenth*, to be paid as Principal Residual Payments (being Deferred Consideration for the purchase of the Portfolio) *pro rata* and *pari passu* to the holders of the Principal Residual Certificates;

If any amounts are applied from the Principal Ledger to pay or provide for items (a) to (i) of the Pre-Acceleration Principal Priority of Payments on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the relevant Principal Deficiency Sub-Ledger.

As used in this Prospectus:

**"Accrued Interest"** means in respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date.

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

**"Arrears of Interest"** means as at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date.

**"Capitalised Arrears"** means, in relation to a Loan, at any date, amounts which are overdue in respect of that Loan and which as at that date have been included in the Current Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

**"Capitalised Expenses"** means, in relation to a Loan, the amount of all expenses charges, fees, premiums or payments capitalised and included in the Current Balance in respect of such Loan in accordance with the relevant Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

**"Capitalised Interest"** means, for any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Current Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date).

**"Early Repayment Fee"** means any fee (other than a Redemption Fee) which a Borrower is required to pay in the event that the Borrower is in default or his or her Loan becomes repayable for any other mandatory reason or he or she repays all or any part of the relevant Loan before a specified date in the Mortgage Conditions.

**"Early Repayment Fee Receipts"** means an amount equal to sums received by the Issuer from time to time in respect of Early Repayment Fees.

**"Interest Period"** means, in relation to a Note, the period from (and including) an Interest Payment Date for that Note to (but excluding) the next Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date to (but excluding) the first Interest Payment Date).

**"Issuer Profit Amount"** means an aggregate of £1,000, paid in equal instalments on each Interest Payment Date falling within the first accounting reference period of the Issuer (determined in accordance with Chapter 3, Part 15 Companies Act 2006), and £250 on each Interest Payment Date falling thereafter, which shall be credited to the Issuer Profit Amount Ledger for the Issuer to retain as a profit for entering into the transaction;

**"Redemption Fee"** means the standard redemption fee charged to the Borrower by the Seller where the Borrower makes a repayment of the full outstanding principal of a Loan on the maturity date of such Loan.

**"Transfer Costs"** means the Issuer's costs and expenses associated with the transfer of servicing to a substitute servicer.

**"Un-Capitalised Receipts"** means amounts that meet the description of paragraph (c) of the definition of Current Balance up to the Closing Date Portfolio Selection Date.

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

**"Principal Receipts"** means (a) principal repayments under the Loans (including any overpayments, payments of arrears of principal, Capitalised Interest and Capitalised Expenses and Capitalised Arrears), (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (c) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio, (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (for the avoidance of doubt (i) including amounts attributable to Arrears of Interest thereon as at the relevant repurchase date, to the extent such Arrears of Interest are Un-Capitalised Receipts, and (ii) excluding (A) any Accrued Interest thereon as at the relevant repurchase date, and (B) amounts attributable to Arrears of Interest thereon as at the relevant repurchase date, to the extent such Arrears of Interest are not Un-Capitalised Receipts), and (e) the Un-Capitalised Receipts.

#### **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 (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) 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 (in each case only if and to the extent that such payments have not already been made as a result of the operation of the Revenue Priority of Payments and payments or provisions of a higher priority have been made in full) (the **"Post-Acceleration Priority of Payments"** and, together with the Pre-Acceleration Priorities of Payments, the **"Priorities of Payments"**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any fees, costs, charges, liabilities, expenses and all other amounts (including by way of indemnity) then due and payable to the Note Trustee and 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 fees, costs, charges, liabilities, expenses and all other amounts (including by way of indemnity) then due and payable to the Security Trustee, any Receiver appointed by the Security Trustee and 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 Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
  - (ii) any amounts then due and payable to the Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer in the immediately succeeding Interest Period under the provisions of the Back-Up Servicing Agreement (including any invocation fee due to the Back-Up Servicer), together with VAT (if payable) thereon as provided therein;
  - (iii) any amounts then due and payable to the Account Bank or Collection Account Bank and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the Account Bank in the immediately succeeding Interest Period under the provisions of Bank Account Agreement, together with VAT (if payable) thereon as provided therein;
  - (iv) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) 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 (if payable) VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Corporate Services Provider and any fees, 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 (if payable) VAT thereon as provided therein; and
  - (vi) any amounts then due and payable to the Cash Manager and Back-Up Cash Manager and any fees, costs, charges, liabilities and expenses and any other amounts (including by way of indemnity) then due or to become due and payable to the Cash Manager and Back-Up Cash Manager in the immediately succeeding Interest Period under the provisions of (respectively) the Cash Management Agreement or the Back up Cash Management Agreement and the Replacement Cash Management Agreement, together with VAT (if payable) thereon as provided therein; and
  - (vii) any fees and Liabilities due and payable by the Issuer to the Liquidation Agent in accordance with the terms of the Liquidation Agent Agreement;
- (c) *third*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class A Notes;

- (d) *fourth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (e) *fifth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class B Notes;
- (f) *sixth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (g) *seventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class C Notes;
- (h) *eighth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (i) *ninth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class D Notes;
- (j) *tenth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (k) *eleventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class E Notes;
- (l) *twelfth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
- (m) *thirteenth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof, principal due and payable on the Class F Notes until the Principal Amount Outstanding on the Class F Notes has been reduced to zero;
- (n) *fourteenth*, to be paid as Principal Residual Payments (being Deferred Consideration for the purchase of the Portfolio) *pro rata* and *pari passu* to the holders of the Principal Residual Certificates up to a maximum of the PRC Overcollateralisation Amount less the aggregate amount of (i) all payments in respect of Principal Residual Certificates which, as at the relevant date, have been made since the Closing Date and (ii) any debit balance on the Principal Residual Certificate Principal Deficiency Ledger, subject always to a floor of zero;
- (o) *fifteenth*, to pay the Issuer an amount equal to the Issuer Profit Amount; and
- (p) *sixteenth*, any remaining amounts to be paid as Revenue Residual Payments (being Deferred Consideration for the purchase of the Portfolio) *pro rata* and *pari passu* to the holders of the Revenue Residual Certificates.

## DESCRIPTION OF THE GLOBAL NOTES AND GLOBAL RESIDUAL CERTIFICATES

The issue of the Notes and the Residual Certificates is authorised by resolutions of the Board of Directors of the Issuer passed on 16 August 2019. The Notes and the Residual Certificates will be constituted by a trust deed (the "**Trust Deed**") expected to be dated the Closing Date between the Issuer and the Note Trustee as trustee for the Noteholders. The Notes and the Residual Certificates will be freely transferable.

The Residual Certificates are not being offered hereby. Information in this Prospectus regarding the terms of the Residual Certificates is provided because of its potential relevance to a prospective purchaser of a Note.

### General

As at the Closing Date, each Class of Notes will be represented by either a Rule 144A Global Note or a Regulation S Global Note, as applicable, in fully registered form without interest coupons or principal receipts. Beneficial interests in a Rule 144A Global Note may only be held through Euroclear or Clearstream, Luxembourg. Beneficial interests in a Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg or their participants. The Principal Residual Certificates, as at the Closing Date, will be represented by either a Regulation S Global Principal Residual Certificate or a Rule 144A Global Principal Residual Certificate (together, a "**Global Principal Residual Certificate**"). The Revenue Residual Certificates, as at the Closing Date, will be represented by either a Regulation S Global Residual Certificate or a Rule 144A Global Residual Certificate (together, a "**Global Revenue Residual Certificate**" and together with the Global Principal Residual Certificate, the "**Global Residual Certificates**"). All capitalised terms not defined in this paragraph shall be as defined in the Conditions.

The Rule 144A Global Notes and the Regulation S Global Notes will each have an ISIN and a common code.

The Global Notes will be deposited on or about the Closing Date with a Common Safekeeper for Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**"). It is intended that the Notes will be held under the new safekeeping structure in a manner to enable Euroclear eligibility, however, it cannot be confirmed that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any times during their life. Such recognition will depend on the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

The Global Residual Certificates are intended upon issue to be deposited on or about Closing Date with, and registered in the nominee name of, a Common Depository for Euroclear and Clearstream, Luxembourg (the "**Common Depository**").

The Registrar will maintain a register in which it will register the nominee for the Common Safekeeper as the owner of the Global Notes and will register the nominee for the Common Depository as the owner of the Global Principal Residual Certificate or Global Revenue Residual Certificate as applicable.

Upon confirmation by the Common Safekeeper that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-entry form interests representing beneficial interests in the Global Note attributable thereto and upon confirmation by the Common Depository that it has custody of the Global Principal Residual Certificates and Global Revenue Residual Certificates, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-

entry form interests representing beneficial interests in the Global Principal Residual Certificate and Global Revenue Residual Certificate attributable thereto ("**Book-Entry Interests**").

Global Notes Book-Entry Interests will be recorded in denominations of £100,000 and integral multiples of £1,000 in excess thereof (in the case of the Regulation S Notes) or in denominations of £100,000 and integral multiples of £1,000 in excess thereof (in the case of the Rule 144A Notes) (each an "**Authorised Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee for the Common Safekeeper is the registered holder of the Global Note underlying the Global Notes Book-Entry Interests, the nominee for the Common Safekeeper will be considered the sole Noteholder of the Global Note, for all purposes under the Trust Deed. Except as set forth under "*Issuance of Registered Definitive Notes, Registered Definitive Principal Residual Certificates and Registered Definitive Revenue Residual Certificates*" below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Global Note Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Global Note Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Action in respect of the Global Notes, Global Principal Residual Certificates or Global Revenue Residual Certificates and the Book-Entry Interests*" below.

So long as a nominee for the Common Depository is the registered holder of the Global Principal Residual Certificate or Global Revenue Residual Certificate, as applicable, underlying the Book-Entry Interests, the nominee for the Common Depository will be considered the sole Certificateholder of the Global Principal Residual Certificate or sole Certificateholder of the Global Revenue Residual Certificate, as applicable, for all purposes under the Trust Deed. Except as set forth under "*Issuance of Registered Definitive Notes, Registered Definitive Principal Residual Certificates and Registered Definitive Revenue Residual Certificates*" below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes, Principal Residual Certificates or Revenue Residual Certificates in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes, Principal Residual

Certificates or Revenue Residual Certificates under the Trust Deed. See "*Action in respect of the Global Notes, Global Principal Residual Certificates or Global Revenue Residual Certificates and the Book-Entry Interests*" below.

Unlike legal owners or holders of the Notes, Principal Residual Certificates or Revenue Residual Certificates, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by 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, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Registered Definitive Notes, Registered Definitive Principal Residual Certificates or Registered Definitive Revenue Residual Certificates are issued in accordance with the Conditions. 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.

In the case of a Global Note, unless and until Global Notes Book-Entry Interests are exchanged for Registered Definitive Notes, the Global Note held by the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

In the case of a Global Principal Residual Certificate or a Global Revenue Residual Certificate, unless and until Book-Entry Interests are exchanged for Registered Definitive Residual Certificates, Global Principal

Residual Certificate or a Global Revenue Residual Certificate held by the Common Depository may not be transferred except as a whole by the Common Depository to a successor of the Common Depository.

Purchasers of Book-Entry Interests in a Global Note, Global Principal Residual Certificate or a Global Revenue Residual Certificate will hold Book-Entry Interests in the Global Note, Global Principal Residual Certificate or Global Principal Residual Certificate relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note, Global Principal Residual Certificate or a Global Revenue Residual Certificate directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*" below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

### **Trading between Euroclear and/or Clearstream, Luxembourg participants**

Secondary market sales of book-entry interests in the notes held through Euroclear and Clearstream, Luxembourg to purchasers of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg, will be conducted in accordance with the normal operating procedures of Euroclear or Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

## **Payments on the Global Notes and the Global Residual Certificates**

Payment of principal and interest on, and any other amount due in respect of, the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate will be made in Sterling by or to the order of Citibank, N.A., London Branch (the "**Principal Paying Agent**") on behalf of the Issuer, in respect of the Global Note, to Euroclear or Clearstream, Luxembourg and, in respect of the Global Principal Residual Certificate or Global Revenue Residual Certificate, to the order of the Common Depository or its nominee as the registered holder thereof. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer, in respect of the Global Note, to the order of the Common Safekeeper or their nominees in respect of those Book-Entry Interests, or in respect of the Global Principal Residual Certificate or Global Revenue Residual Certificate, to the order of the Common Depository or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of, in respect of the Global Note, the Common Safekeeper, or in respect of the Global Principal Residual Certificate or Global Revenue Residual Certificate, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Notes or the Residual Certificates, (i) where the Notes or the Residual Certificates are in global registered form, shall be at the close of the Business Day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) prior to the relevant Interest Payment Date and (ii) where the Notes or the Residual Certificates are in definitive registered form, shall be the date falling 15 days prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in 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 in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

## **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 owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder 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 owning the relevant Book-Entry Interests 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 a Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the order of the clearing systems and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests 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. For any redemptions of the Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed 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 such Global Note by the principal amount so redeemed.

### **Cancellation**

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto and the corresponding entry on the Register.

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

### **Transfers and Transfer Restrictions**

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "*General*" above.

Each Rule 144A Global Note will bear a legend substantially identical to that appearing under "*Subscription and Sale*", and the holder of any Rule 144A Global Note or any Book-Entry Interest in such Rule 144A Global Note will undertake that it will not transfer such Notes except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Note of one Class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Regulation S Global Note of the same Class only upon receipt by the Issuer of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S.

Each Regulation S Global Note will bear a legend substantially identical to that appearing under "*Subscription and Sale*". A Book-Entry Interest in a Regulation S Global Note of a particular Class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note of the same Class only upon receipt by the Issuer of written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is a QIB within the meaning of Rule 144A, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with the applicable securities laws of any state or other jurisdiction of the United States.

Any Book-Entry Interest in a Regulation S Global Note of one Class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note of the same Class will, upon transfer, cease to be represented by a Book-Entry Interest in such Regulation S Global Note and will become represented by a Book-Entry Interest in such Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Rule 144A Global Note for as long as it remains such a Book-Entry Interest. Any Book-Entry Interest in a Rule 144A Global Note of one Class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Regulation S Global Note of the same Class will, upon transfer, cease to be represented by a Book-Entry Interest in such Rule 144A Global Note and will become represented by a Book-Entry Interest in such Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to the Book-Entry Interests in a Regulation S Global Note as long as it remains such a Book-Entry Interest.

Beneficial interests in the Global Notes may be held only through Euroclear and Clearstream, Luxembourg. Neither the Global Notes nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend appearing in the Global Notes.

### **Settlement and transfer of notes**

Subject to the rules and procedures of each applicable clearing system, purchases of notes held within a clearing system must be made by or through Participants, which will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note the ("**beneficial owner**") will in turn be recorded on the Participant's records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such beneficial owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial owners will not receive individual notes representing their ownership interests in such notes unless use of the book-entry system for the notes described in this section is discontinued.

No clearing system has knowledge of the actual beneficial owners of the notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. Participants will



remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

### **Issuance of Registered Definitive Notes, Registered Definitive Principal Residual Certificates and Registered Definitive Revenue Residual Certificates**

Holders of Book-Entry Interests in the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate will be entitled to receive Definitive Notes or the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate in registered form ("**Registered Definitive Notes**", "**Registered Definitive Principal Residual Certificates**" "**Registered Definitive Revenue Residual Certificates**") as applicable in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and 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 permanently to cease business and do so cease to do business 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 administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes, Revenue Residual Certificates or Principal Residual Certificates which would not be required were the Notes or Residual Certificates in definitive registered form. Any Registered Definitive Notes, Registered Definitive Principal Residual Certificates or Registered Definitive Revenue Residual Certificates issued in exchange for Book-Entry Interests in the Global Note, the Global Principal Residual Certificate or the Global Revenue Residual Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes, Registered Definitive Principal Residual Certificates or Registered Definitive Revenue Residual Certificates issued in exchange for Book-Entry Interests in the Global Note, the Global Principal Residual Certificate or the Global Revenue Residual Certificate will not be entitled to exchange such Registered Definitive Note, Registered Definitive Principal Residual Certificate or Registered Definitive Revenue Residual Certificate for Book-Entry Interests in such Global Note, Global Principal Residual Certificate or the Global Residual Revenue Certificate. Any Notes, Principal Residual Certificates or Revenue Residual Certificates issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above and **provided that** no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note, Principal Residual Certificate or Revenue Residual Certificates or, as the case may be (in the case of Notes), the due date for redemption. Registered Definitive Notes will not be issued in a denomination that is not an integral multiple of the minimum Authorised Denomination. .

### **Action in respect of the Global Notes, Global Principal Residual Certificates or Global Revenue Residual Certificates and the Book-Entry Interests**

Not later than ten days after receipt by the Issuer of any notices in respect of a Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b)

a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note, Global Principal Residual Certificate or Global Revenue Residual Certificate in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes, Global Principal Residual Certificates or Global Revenue Residual Certificates.

### **Reports**

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Note or the Book-Entry Interests. Any notice shall be deemed to have been duly given to the relevant Noteholders if sent to each of Euroclear and Clearstream, Luxembourg (the "**Clearing Systems**") for communication by them to the holders of the relevant Notes and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Notes are admitted to trading and listed on the Official List) any notice shall also be published in accordance with the relevant guidelines of Euronext Dublin. See also Condition 15 (*Notice to Noteholders*) of the Notes.

## **FURTHER INFORMATION RELATING TO THE REGULATION OF MORTGAGES IN THE UK**

### *FCA Regulation of Mortgage Business*

The Financial Services and Markets Act 2000 (as amended) ("**FSMA**") regulates financial services in the United Kingdom. The FSMA states that no person may carry on a regulated activity in the United Kingdom, or purport to do so, unless he is an authorised person or an exempt person. Regulation of residential mortgage business under the FSMA came into force on 31 October 2004 (the date known as "**N(M)**") but referred to here as the ("**Regulation Effective Date**").

On 1 April 2013, following amendments made to the FSMA by the Financial Services Act 2012 many functions of the Financial Services Authority were transferred to the Financial Conduct Authority (the "**FCA**") and the Prudential Regulation Authority (the "**PRA**"). Under the new structure the FCA has taken over, amongst other things, the Financial Services Authority's responsibility for the authorisation and supervision of persons carrying on specified regulated mortgage-related activities under the FSMA. The PRA is responsible for the prudential supervision of deposit takers, insurers and a small number of significant investment firms. Depending on the scope of a firm's authorisation and permissions, firms involved in the residential mortgage market may be regulated by both authorities (in which case they will be known as dual-regulated firms) or by the FCA only. Firms authorised by the Financial Services Authority prior to 1 April 2013 had their authorisations transferred to the relevant authorities and did not need to apply for new authorisations.

The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) (the "**Regulated Activities Order**") provides that after the Mortgage Regulation Date (as defined in the Regulated Activities Order) the following four activities will be regulated activities under the FSMA: (a) entering into as lender, (b) in certain circumstances administering, (c) arranging, and (d) advising on a regulated mortgage contract. Agreeing to carry on any of these activities will also be a regulated activity.

If a mortgage contract was entered into on or after the Regulation Effective Date but before 21 March 2016, it will be a Regulated Mortgage Contract under the RAO if: (i) the lender provides credit to an individual or to trustees; and (ii) the obligation of the borrower to repay is secured by a first legal mortgage on land (other than timeshare accommodation) in the United Kingdom, at least 40% of which 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. A related person (in relation to a borrower, or in the case of credit provided to trustees, a beneficiary of the trust) is the person's spouse or civil partner, near relative (parent, child, sibling, grandparent or grandchild) or a person with whom the borrower (or in the case of credit provided to trustees, a beneficiary of the trust) has a relationship which is characteristic of a spouse.

There have been incremental changes to the definition of Regulated Mortgage Contract over time, including the removal of the requirement for the security to be first ranking and the extension of the territorial scope to cover property in the EEA rather than just the UK. If a mortgage contract was entered into on or after 21 March 2016, it will be a regulated mortgage contract if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions, such as the relevant exclusions for buy-to-let loans): (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage on land in the EEA, at least 40% of which is used, or is intended to be used: (i) (in the case of credit provided to an individual) as or in connection with a dwelling; or (ii) (in the case of credit provided to a trustee who is not an individual) as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person.

Credit agreements which were originated before 21 March 2016, which were regulated by the Consumer Credit Act ("CCA"), and that would have been regulated mortgage contracts had they been entered into on or after 21 March 2016 are 'consumer credit back book mortgage contracts' and are also therefore Regulated Mortgage Contracts.

The Regulated Activities Order sets out certain exclusions to these provisions. Among other things, these exclusions state that a person who is not an authorised person does not carry on the regulated activity of administering a regulated mortgage contract where he (i) arranges for another person, being an authorised person with permission to carry on an activity of that kind, to administer the contract or (ii) administers the contract himself during a period of not more than one month beginning with the day on which any such arrangement comes to an end.

The Seller and the Servicer each hold authorisation and permission to enter into and to administer and (where applicable) to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, 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. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required FCA authorisation and permission. If such a servicing agreement terminates, however, the Issuer will have a period of not more than sixty days beginning with the day on which any such arrangement comes to an end in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FCA authorisation and permission. The Back-Up Servicer has the required FCA authorisation and permission to administer but there can be no assurance that it will be able to perform its obligations under the Back-Up Servicing Agreement.

The Issuer will not itself be an authorised person under the FSMA. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. In addition, on and after the Regulation Effective Date, no variation has been or will be made to the Loans and no Further Advance or Product Switch has been or will be made in relation to a Loan, where it 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.

If the lender or any broker did not hold the required authorisation at the relevant time, the Regulated Mortgage Contract is unenforceable against the borrower except with the approval of a court. If the financial promotion was not issued or approved by an authorised person, the Regulated Mortgage Contract and any other "qualifying credit" is unenforceable against the borrower except with the approval of a court. An unauthorised person who administers a Regulated Mortgage Contract may commit a criminal offence, but this will not render the contract unenforceable against the borrower.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("MCOB"), which sets out the FCA's (and formerly, the FSA's) rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, *inter alia*, 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.

A borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an FCA authorised person of a rule made under the FSMA. These rules include MCOB, and from 1 April 2014 includes the Consumer Credit sourcebook which transposed certain requirements and guidance previously made under the Consumer Credit Act 1974 (described below).

The borrower may set-off the amount of the claim for such contravention against the amount owing by the borrower under the credit agreement or any other credit agreement he has taken with the authorised person (or exercise analogous rights in Scotland). Any such set-off may adversely affect the Issuer's ability to make payments in full when due on the Notes.

In this context please see section "*The Co-operative Bank p.l.c. – Litigation, arbitration and regulatory proceedings in relation to the Bank*".

In June 2010, the FSA made changes to MCOB (subsequently amended following implementation of the Mortgage Credit Directive on 21 March 2016 in particular MCOB 13 was amended to account for vulnerable customers and data sharing with other charge holders) which effectively convert previous guidance on the policies and procedures to be applied by authorised firms (such as the Seller) with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under these 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 FCA has indicated that it does not expect each forbearance option referred to in the rules to be explored at every stage of interaction with the borrower, it is clear that these rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions which the relevant loan may be subject to as a result, *inter alia*, of such loan being contained within a securitisation transaction. As a result, the rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the servicing arrangements contemplated by such Transaction Documents) in respect of one or more Loans. No assurance can be made that any such actions will not impact on the Issuer's ability to make payments in full when due on the Notes, although the impact of this will depend on the number of Loans that involve a borrower who experiences payment difficulties.

Any further changes to MCOB or the FSMA arising from changes to mortgage regulation or the regulatory structure, may adversely affect the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations. For further details on changes to MCOB or the FSMA.

### ***Changes to United Kingdom and EU mortgage regulation***

There can be no assurance that the developments described below, in respect of the changing regulatory regime, will not have an effect on the mortgage market in the United Kingdom generally or specifically in relation to the Seller. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Seller, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments on the Notes.

#### *FCA mortgage market review*

The FCA published final rules implementing its mortgage market review in October 2012. The majority of these new rules came into effect on 26 April 2014 through amendments to MCOB. Key changes include a requirement for lenders to undertake affordability assessments at origination (including verifying income in all cases) and undertake stress tests to ensure mortgages remain affordable when interest rates increase. For interest-only mortgages, lenders must check that borrowers have a credible plan to repay the capital at the end of the loan. There are also changes to disclosure requirements (the initial disclosure document is replaced with a requirement for firms to disclose key messages to customers), arrears management and the sales process. The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013, and mortgages entered into on or after 26 April 2014 must comply with these rules. These

rules only apply to a Loan if (i) it is varied so as to increase the principal amount outstanding under the relevant Loan (e.g. by way of further advance) on or after 26 April 2014; and (ii) MCOB applies to the Loan generally as a regulated mortgage contract. To the extent that these rules do apply to any of the Loans, failure to comply with these rules may entitle a Borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the Loan. Any such claim or set-off may adversely affect the Issuer's ability to make payment on the Notes.

#### *Regulation of residential secured lending (other than Regulated Mortgage Contracts)*

The UK government had a policy commitment to move second charge lending into the regulatory regime for mortgage lending rather than keeping it within the regime for consumer credit under which second charge lending previously fell. The UK government thought that there was a strong case for regulating lending secured on a borrower's home consistently, regardless of whether it is a first or subsequent charge. The European Mortgage Credit Directive (2014/17/EU) (the "**Mortgage Credit Directive**") also follows this principle and makes no distinction between requirements for first charge and second (and subsequent) charge mortgage lending. The UK government concluded that it made sense to implement the changes to second (and subsequent) charge lending alongside the implementation of the Mortgage Credit Directive. The UK government also proposed to move the regulation of second (and subsequent) charge loans already in existence before 21 March 2016 to the regulated mortgage contract regime rather than keeping them within the consumer credit regime. Mortgage regulation under the FSMA began on 31 October 2004. Mortgages entered into before that date were previously regulated by the CCA, provided they did not exceed the financial threshold in place when they were entered into and were not otherwise exempt. The policy of regulating lending secured on a borrower's home consistently also meant that the UK government decided to change the regulatory regime or pre-2004 first charge loans regulated by the CCA. In November 2015, the UK government made legislation which meant that the administration of and other activities relating to those pre-October 2004 first charge mortgages which were regulated by the CCA became regulated mortgage activities from 21 March 2017, although firms could have adopted the new rules from 21 March 2016 if they chose. The move of CCA regulated mortgages to the FSMA regime was implemented by the Mortgage Credit Directive Order 2015 on 21 March 2016 (the "**Mortgage Credit Directive Order**"). The government has put in place transitional provisions for existing loans so that some of the CCA protections in place, when the loans were originally taken out, are not removed retrospectively.

Credit agreements that were originated before 21 March 2016, that were regulated by the CCA and that would have been regulated mortgage contracts had they been entered into on or after 21 March 2016 are defined by the Mortgage Credit Directive Order as "consumer credit back book mortgage contracts" and would also therefore be Regulated Mortgage Contracts. The main CCA consumer protection retained in respect of consumer credit back book mortgage contracts is the continuing unenforceability of the agreement if it was rendered unenforceable by the CCA prior to 21 March 2016. Unless the agreement was irredeemably unenforceable, the lender may enforce the agreement by seeking a court order or bringing any relevant period of non-compliance with the CCA to an end in the same manner as would have applied if the agreement was still regulated by the CCA. If a consumer credit back book mortgage contract was void as a result of Section 56(3) of the CCA (preclusion of agency or liability for negotiators), that agreement or the relevant part of it will remain void. Restrictions on early settlement fees will also be retained. If interest was not chargeable under a consumer credit back book mortgage contract due to non-compliance with Section 77A of the CCA (duty to serve an annual statement) or Section 86B of the CCA (duty to serve a notice of sums in arrears), once the consumer credit back book mortgage contract is regulated by the FSMA under the Mortgage Credit Directive Order as of 21 March 2016, the sanction of interest not being chargeable under Section 77A of the CCA and Section 86D of the CCA ceases to apply, but only for interest payable under those loans after 21 March 2016. A consumer credit back book mortgage contract will also be subject to unfair relationship provisions described below. Certain provisions of MCOB are

applicable to these consumer credit back book mortgage contracts. These include the rules relating to disclosure at the start of a contract and post-sale disclosure (MCOB 7), charges (MCOB 12) and arrears, payment shortfalls and repossessions (MCOB 13). General conduct of business standards will also apply (MCOB 2).

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

#### *Other changes to mortgage regulation*

There can be no assurance that this section comprehensively describes all proposed changes to relevant regulation or that there will be no further changes to regulation that may have an effect on the mortgage market in the United Kingdom generally or specifically in relation to the Seller. Further, there can neither be assurance that regulators' interpretation of existing rules and regulations will remain unchanged nor whether any such regulator may apply such interpretations in respect of actions or conduct already undertaken. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Seller, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments on the Notes.

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a risk that certain aspects of the current or historic business of the Seller, including, amongst other things, mortgages, may be determined by the FCA and other regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment.

In particular, there is currently a significant regulatory focus on the sale practices and reward structures that financial institutions have used when selling financial products. There is a risk that there may be other regulatory investigations and action against the Seller in relation to conduct and other issues that the Seller is not presently aware of, including investigations and actions against the Seller resulting from alleged mis-selling of financial products or the ongoing servicing of those financial products. The nature of any future disputes and legal, regulatory or other investigations or proceedings into such matters cannot be predicted in advance. Furthermore, the outcome of any ongoing disputes and legal, regulatory or other investigations or proceedings is difficult to predict.

#### *Product intervention rules*

The FCA has the power to render unenforceable contracts made in contravention of its product intervention rules. The FCA has the power to make product intervention rules under section 137D of the FSMA, prohibiting authorised persons from taking a number of actions, including entering into specified contracts with any person or with a specified person. The FCA is normally obliged to consult the public and prepare a cost-benefit analysis before making any rules but there is an exemption to this requirement, which allows the FCA to make temporary product intervention rules ("TPIRs") without consultation, if it considers that it is necessary or expedient to do so. TPIRs are intended to offer protection to consumers in the short term whilst either the FCA or the industry develop more permanent solutions and, in any event, are limited to a maximum duration of 12 months. In relation to agreements entered into in breach of a product intervention rule (including a TPIR), the FCA's rules may provide (i) for the relevant agreement or obligation to be unenforceable;

(ii) for the recovery of any money or other property paid or transferred under the agreement; or (iii) for the payment of compensation for any loss sustained under the relevant agreement or obligation.

In March 2013 the FCA published a policy statement "*The FCA's use of temporary product intervention rules*" that applies from 1 April 2013 addressing when and how the FCA will consider making TPIRs. The FCA will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make the rules if it deems prompt action is necessary to reduce or prevent that detriment. In particular, the FCA will consider factors such as the potential scale of detriment in the market and potential scale of detriment to individual customers, whether particular groups of customers (especially vulnerable customer groups) are more likely to suffer detriment and whether the use of TPIRs will have any unintended consequences.

### ***Unfair credit relationships***

The Consumer Credit Act 2006 (the "**CCA 2006**"), which amends and updates the CCA, was enacted on 30 March 2006 and was fully implemented by 31 October 2008. The CCA 2006 contains a number of provisions which may affect the Individual Mortgages. In particular the CCA 2006 contains a power for a court to alter the terms of a credit agreement where it considers that the relationship between the creditor and the debtor arising out of the agreement is "unfair" because of one or more of the following:

- (a) any of the terms of the agreement or of any related agreement;
- (b) the way in which the creditor exercised or enforced any of his rights under the agreement or any related agreement; and
- (c) any other thing done (or not done) by, or on behalf of, the creditor (either before or after the making of the agreement or any related agreement).

In this context "credit agreement" includes all agreements which would otherwise be exempt agreements under the CCA (other than regulated mortgage contracts under the terms of the FSMA regime). The provisions have the scope to be applied with full retrospective effect. An order made by the court where a creditor-debtor relationship is found to be "unfair" may, among other things, order a creditor, and any assignee such as the Issuer, to repay sums already paid by the debtor, reduce the amount of future payments or otherwise alter the terms of the credit or related agreement. The sections relating to the "unfair relationship test" came into force on 6 April 2007. Credit agreements entered into after 6 April 2007 will be subject to the unfair relationship test. Credit agreements which were entered into prior to 6 April 2007 and which will continue in force after 6 April 2008 were subject to the extortionate credit bargain test until 6 April 2007. Thereafter, such credit agreements became subject to the unfair relationship test. Credit agreements which were in force prior to 6 April 2007 and which expired prior to 6 April 2008 continued to be subject to the extortionate credit bargain test.

The Seller has represented in the Mortgage Sale Agreement that all of the Borrowers are individuals. The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, such non-compliance causes a material adverse effect on the value of that Loan, and if the default (if capable of remedy) cannot be or is not cured within 90 Business Days of the Seller receiving notice of such non compliance, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one "**Mortgage Account**") and their Related Security from the Issuer.



### *Right to Buy Loans*

The Portfolio includes Right to Buy Loans. Properties sold under the Right to Buy scheme of the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended) or the Housing (Northern Ireland) Order 1983 (as amended), as applicable, are sold by the landlord at a discount to market value calculated in accordance with the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended) or the Housing (Northern Ireland) Order 1983 (as amended) (as applicable). A purchaser under the scheme of the Housing Act 1985 must repay the whole of the discount if he or she disposes of the property within one year of acquiring it from the landlord, four-fifths if he or she does so within two years, three-fifths if within three years, two-fifths if within four years and one-fifth if within five years, unless the offeror's offer for the disposal of the house was accepted before 18 January 2005, in which case the purchaser must repay the whole of the discount if he or she sells the property within one year, two-thirds if he or she does so within two years and one-third if within three years. A purchaser under the scheme of the Housing (Scotland) Act 1987 (as amended), must repay the whole of the discount if he or she sells the property within one year, two-thirds if he or she does so within two years and one third if within three years. The landlord obtains (in England and Wales and Northern Ireland) a statutory charge or (in Scotland) a standard security over the property in respect of the contingent liability of the purchaser under the scheme to repay the discount. Under the Housing Act 1985 or Housing (Scotland) Act 1987 (as amended), or the Housing (Northern Ireland) Order 1983 (as amended) (as applicable), such statutory charge or standard security ranks in priority to other charges including that of any mortgage lenders except in certain circumstances. Such statutory charge or standard security shall automatically rank behind any charge on the related property in relation to (in England and Wales and Northern Ireland) monies advanced by an approved lending institution to the extent they are advanced for the purpose of enabling the purchaser to exercise his or her right to buy and (in Scotland) monies advanced for the purchase or improvement of the property. In England and Wales and Northern Ireland, unless the offeror's offer for the disposal of the house was accepted before 18 January 2005, the purchaser is required, before a sale or disposal of the property within 10 years of the date of purchase, to offer the property to the landlord or another social landlord at full market value and to allow up to eight weeks for acceptance of the offer. A mortgage lender selling the property as a mortgagee in possession in such circumstances will also be obliged to grant such right of first refusal to the landlord or other social landlord.

In Scotland, the Right to Buy scheme was closed to new applicants on 31 July 2016 by the Housing (Scotland) Act 2014 but the relevant provisions of the Housing (Scotland) Act 1987 continue to apply to applications to purchase a property in Scotland under the scheme that were submitted before 01 August 2016 and to any contract to purchase, or purchase of a property, following such application.

In relation to each Right to Buy Loan in respect of the PFL Portfolio, as far as the Seller is aware:

- (a) PFL was an approved lending institution within the meaning given to that expression in the Housing Act 1985 or the Housing (Northern Ireland) Order 1983 (as amended by the Housing (Northern Ireland) Order 1986, the Housing (Northern Ireland) Order 1992 and the Housing (Northern Ireland) Order 2003) or, in Scotland, a recognised lending institution in terms of the Housing (Scotland) Act 1987;
- (b) the original advance or Further Advance was made to a person exercising the right to buy;
- (c) either the original advance (and, if relevant, any related Further Advance) was made for the sole purpose of enabling the recipient thereof to purchase or re-mortgage the relevant Property or, in cases where additional amounts have been advanced to the Borrower and the relevant local authority's (or, in Northern Ireland, the Northern Ireland Housing Executive) statutory charge or standard security has not been postponed, there exists legal, valid, binding and enforceable insurance cover in respect of any losses which could arise by virtue of the local authority's statutory charge or standard security; and

- (d) where the Property comprises an ex-council flat, the minimum property value is £25,000 and the block (subject to agreed exceptions) contains no more than four floors.

### ***Distance Marketing***

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

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

- (a) the borrower is liable to repay the principal, and any other sums paid by the originator 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 originator receiving notice of cancellation;
- (b) 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
- (c) any security is treated as never having had effect for the cancelled agreement.

If a significant portion of the Loans are characterised as being cancellable under these regulations, then there could be an adverse effect on the Issuer's receipts in respect of the Loans, affecting the Issuer's ability to make payments in full on the Notes when due.

### ***Unfair Consumer Contracts Terms Legislation***

The Consumer Rights Act (2015) ("**CRA**") replaced the Sale of Goods Act, Unfair Terms in Consumer Contract Regulations and the Supply of Goods and Services Act.

The Unfair Terms in Consumer Contracts Regulations 1999 (as amended) (the "**UTCCR**") applies to any term of an agreement entered into on or after 1 October 1999 to and including 30 September 2015 by a "consumer" within the meaning of the UTCCR where the term has not been individually negotiated. Regulation 2 of the UTCCR revoked and replaced the Unfair Terms in Consumer Contracts Regulations 1994, which applied to agreements entered into between 1 July 1995 and 30 September 1999 and are replaced by the UTCCR. Any term found to be "unfair" within the meaning of the UTCCR will not be binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term). The FSA (the predecessor to the FCA) and Office of Fair Trading ("**OFT**") issued guidance notes on unfair contract terms under these regulations which covered, among other things, what is to be considered an unfair term and its view on the application of UCTTR to clauses that permit for interest variations in mortgage loan contracts without good reason.

The CRA has had effect from 1 October 2015 and applies to all "consumer contracts" and "consumer notices" (which may be either oral or written) as defined by the CRA. Any term or consumer notice

found to be "unfair" within the meaning of the CRA (contrary to the requirement of good faith, the term causes a significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer) will not be binding on the consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. For example, if a term permitting the lender to vary the interest rate (as the Seller is permitted to do) were to be found by a court to be unfair under either the CRA or the UTCCR, 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 credit agreement or any other credit agreement that the borrower has taken with the lender (or exercise analogous rights in Scotland). The remainder of the contract continues, so far as practicable, to have effect in every other respect. There are no Loans in the Portfolio entered into on or after 1 October 2015 and as such the UTCCR, but not the CRA, will be applicable to any term of a Loan in the Portfolio. However, the CRA also has provisions for notices that relate to rights or obligations between a trader and a consumer or that purport to exclude or restrict a trader's liability to a consumer (requiring such notices to be fair and transparent). Such provisions of the CRA will apply to relevant notices given under the terms of the Loans (even though the CRA does not apply to the terms of such Loans themselves).

The CRA provides the following exemptions to the fairness test. Certain terms and notices covered by legal provisions are exempt from the fairness test. This is sometimes referred to as the "mandatory statutory to regulatory exemption". Where consumers need information in order to understand the effects of the legal provisions this needs to be provided in or with the contract. It is therefore not sufficient for the wording used to only mention the relevant legal provisions by name. Secondly, a term may not be assessed for fairness where it specifies the main subject matter (the "core exemption") of the contract to the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content, or services supplied under it. However, a core term may only be excluded from an assessment for fairness where it is both transparent and prominent. A term is transparent where it is expressed in plain and intelligible language and legible (where the term is written). The prominence of the term is determined by how the term is brought to the consumer's attention (in such a way that the average consumer would be aware of it). The average consumer is one who is "reasonably well informed, observant and circumspect". This means that onerous exclusions need to be prominently set out to avoid assessment for unfairness. In the CMA's view, in order to be prominent and benefit from the "core exemption", terms need to be brought to the consumer's attention in a way that is practically effective. It is not merely about highlighting terms visually in the contract document. Where consumers need information in order to understand the effects of the legal provisions this needs to be provided in or with the contract. It is therefore not sufficient for the wording used to only mention the relevant legal provisions by name.

Certain terms are presumed to be unfair and the CRA adds to the list of those under the UTCRRs those already recognised as unfair by including terms regarding: disproportionately high charges where the customer decides to cancel the contract; terms enabling the firm to determine the characteristics of the subject matter of the contract after the conclusion of the contract; and terms allowing the trader to determine the price after the consumer is bound by the agreement. The CRA also expressly states that in proceedings by consumers, the court is required to consider the fairness of a term, even if the consumer has not raised the issue, where the court has available to it the legal and factual elements necessary for that task.

The Competition & Markets Authority ("CMA") published its finalised guidance on the unfair terms provisions in the Consumer Rights Act on 31 July 2015 which sits alongside two complementary CMA publications aimed particularly at smaller businesses and others who require a short introduction to unfair terms law and to the CMA's approach to unfair terms enforcement.

Additionally, the FCA's Unfair Contract Terms Regulatory Guide ("**UNFCOG**") sets out the FCAs approach to assessing the fairness of a contract term. In deciding whether to ask a firm to undertake to stop including a term in new contracts or to stop relying on it in concluded contracts, the FCA considers the full circumstances of each case, including:

- whether the FCA is satisfied that the term may properly be regarded as unfair within the meaning of the CRA;
- the extent and nature of the detriment to consumers resulting from the term or the potential harm which could result from the term; and
- whether the firm has fully cooperated with the FCA in resolving their concerns about the fairness of the particular contractual term.

Guidance withdrawn by the FCA relating to the law before the CRA should not be relied on as it may no longer reflect the FCA's view on unfair terms but may still be relevant to terms governed by UTCCR as explained above. On 19 December 2018, the FCA published finalised guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG18/7), outlining factors the FCA consider firms should have regard to when drafting and reviewing variation terms in consumer contracts. This follows developments in case law, including at the Court of Justice of the EU. The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms.

The broad wording of the CRA/UTCCR makes any assessment of the fairness of terms largely subjective and difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any loans which have been made or may be made to borrowers covered by the CRA/UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of such loans. In addition, the guidance has changed over time and new guidance issued in the future by the FCA may differ. Whilst the CMA/FCA has powers to enforce the CRA/UTCCR, it would be for a court to determine their proper interpretation. No assurance can therefore be given that changes in the CRA/UTCCR or related guidance or the publication of new or additional guidance in the future would not have a material adverse effect on the Seller, the Issuer, the Note Trustee and the Security Trustee and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

The Seller will warrant to the Issuer and the Note Trustee in the Mortgage Sale Agreement that no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of Sections 140A to 140C of the CCA, and that the terms of each Loan are not "unfair terms" within the meaning of the UTCCR.

### ***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, issued by the Council of Mortgage Lenders, occurring before the Regulation Effective Date may be dealt with by the Ombudsman.

Complaints properly brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. The maximum level of money awarded by the Ombudsman is GBP 150,000 for complaints received by the Ombudsman on or after 1 January 2012 (GBP 100,000 for earlier complaints) plus interest and costs. The Ombudsman may also make directions awards, which direct the business to take steps, as the Ombudsman considers just and appropriate.

As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a complaining borrower, it is not possible to predict how any future decision of the Ombudsman would affect the ability of the Issuer to make payments to Noteholders.

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

The Unfair Commercial Practices Directive ("UCP"), which took effect on 11 May 2005, seeks to regulate unfair commercial practices across the EU by establishing rules for the protection of consumers. Generally, the UCP applies full harmonisation, which means that member states of the European Union may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, this Directive permits member states of the European Union to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans. The UCP provided for a transitional period until 12 June 2013 for applying full harmonisation in the fields to which it applies.

The UCP applies to all consumer contracts and contains a wide prohibition on "unfair commercial practices" with examples of practices which would violate this principle by virtue of being "misleading" or "aggressive". Examples of such conduct include the dissemination of false information at any stage of the relationship or conduct involving harassment, coercion or undue influence.

In the UK the UCP was implemented through the Consumer Protection from Unfair Trading Regulations 2008 (the "CPUTR"), which came into force on 26 May 2008. 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. Consequently, there is a risk that breach of the CPUTR would initiate intervention by a regulator and may lead to criminal sanctions.

The Consumer Protection (Amendment) Regulations 2014 (SI No. 870/2014) came into force on 1 October 2014. In certain circumstances, these amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements.

In addition, the UCP is taken into account in reviewing rules under the FSMA. For example, MCOB rules for regulated mortgage contracts from 25 June 2010 prevent 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.

No assurance can be given that the CPUTR will not have a material adverse effect on the Loans or the manner in which they are serviced and accordingly on the ability of the Issuer to make payments on the Notes. Furthermore, the Consumer Protection (Amendment) Regulations 2014 came into force on 1 October 2014. The legislation gives consumers a direct right of action including a right to unwind agreements within 90 days of entering into the contract if a misleading or aggressive practice under the CPUTR was a significant factor in the consumer's decision to enter into the contract. The

legislation also gives consumers the right to claim damages where the consumer's losses exceed the price paid for the goods or services in question, provided the consumer is able to show having suffered actual loss. The amendments to CPUTR also extend the regime so that it covers misleading and aggressive demands for payment: The legislation applies to demands for payment for restricted-use credit (where the credit must be used to finance a particular transaction) where the misleading or aggressive commercial practice:

- (a) began before 1 October 2014 and continues after that date – however, a consumer will only be able to exercise his new direct rights of action if a contract is entered into, or payments are made, after the date the legislation comes into force; and
- (b) occurs on or after 1 October 2014.

#### *Redemption of Scottish Mortgages*

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any standard security has an absolute right, on giving appropriate notice, to redeem that standard security once it has subsisted for a period of 20 years subject only to the payment of certain sums specified in Section 11 of that Act. These specified sums consist essentially of the principal monies advanced by the lender and expenses incurred by the lender in relation to that standard security and interest. As to the sums recoverable under such standard security, please refer to the heading "*Risk Factors – Declining property values may result in an adverse effect on payments on the Notes*".

#### ***Mortgage repossession***

A protocol for mortgage repossession cases in England and Wales issued by the Civil Justice Council came into force on 19 November 2008 (as last amended on 1 October 2017) and sets out the steps that judges will expect any lender to take before starting a claim. 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 moratorium is subject to the wishes of the borrower and may not apply in cases of fraud.

The Mortgage Repossessions (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.

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 imposes additional requirements on heritable creditors (the Scottish equivalent of a mortgagee) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of the Act, the heritable creditor, which may be a Legal Title Holder or, in the event of it taking legal title to the Scottish Loans and their Related Security, the Issuer, has to obtain a court order to exercise its power of sale (in addition to initiating the enforcement process by the service of a two-month "calling up" notice), unless the borrower and any other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor also has to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, and comply with further procedural requirements.

A pre-action protocol for mortgage repossession cases in Northern Ireland came into force on 5 October 2009 and sets out the steps that judges will expect any lender to take before starting a claim. It closely follows the protocol which came into effect in November 2008 in England and Wales. A number of mortgage lenders delay the initiation of repossession action for at least three months after a borrower who is an owner-occupier is in arrears to allow for compliance with the pre-action protocol.

The application of such moratorium is subject to the wishes of the borrower and may not apply in cases of fraud. The Mortgage Repossessions (Protection of Tenants etc) Act 2010 does not extend to Northern Ireland.

A claim for possession of land based on mortgage arrears is made to the High Court of Northern Ireland pursuant to section 36 of the Administration of Justice Act 1970 whilst the procedure is laid down in Order 88 of the Rules of the Court of Judicature (NI) 1980. The lender's claim will be heard by a High Court Master unless it is particularly complex where it will be then heard by a High Court Judge. Once an Order for Possession is obtained from the High Court it can be enforced through the Enforcement of Judgments Office ("**EJO**"), if the borrower does not hand over possession of the property. There is no County Court Bailiff or other enforcement system in Northern Ireland apart from the EJO which was established by virtue of the Judgments (Enforcement) Act (Northern Ireland) 1969.

The protocol in these Acts 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.

### *Mortgage Prisoners*

In March 2019, the FCA issued the Mortgages Market Study Final Report (the "**MMS Final Report**") and published a consultation paper (the "**Consultation**") setting out detailed proposals to remove regulatory barriers to changing mortgages for "mortgage prisoners". The Consultation closed in June 2019. The term "mortgage prisoners" has been defined by the FCA to mean mortgage customers who would benefit from changing their mortgage product (either with their existing lender or with a new lender) (**Switching**) but are unable to do so despite being up to date with their current mortgage payments. The FCA has confirmed that the findings from the MMS Final Report are aimed at the first charge residential mortgage market in particular and that it did not focus on second charge, buy-to-let, commercial mortgages or home reversion plans. The FCA have however stated that insights gained from the MMS Final Report are likely to be relevant to other markets within the FCA's regulatory scope.

The FCA previously recognised that the affordability rules applicable to new lenders (being whether the consumer can afford to service the mortgage, accounting for income and expenditure and includes consideration of future changes, taking account of likely future interest rates and the extent to which the customer is borrowing in to retirement) was an obstacle to new lenders being able to facilitate Switching. The Consultation sets out proposals as to how to modify these rules so that a borrower Switching who is up to date with their mortgage payments and is not taking on additional borrowing (other than to fund any product or arrangement fee) can pass the affordability test if the new product is cheaper than the existing product. The FCA is also consulting pursuant to the Consultation on imposing on mortgage administrators and servicers who act for unregulated lenders (such as the Issuer) an obligation to notify all relevant borrowers of that unregulated lender serviced by that administrator or servicer of the fact that the borrower may be able to switch to a cheaper product following the change in rules and to direct the borrowers to information which explains how they may change their mortgage to a lender which applies the relevant modified affordability test. These notices would only apply to residential borrowers (excluding lifetime mortgages) who were on a reversion rate and who were up to date with payments for the previous 12 months. The proposed modification of the rules should make it easier for a borrower who is a mortgage prisoner with an unregulated lender to switch to a new lender and this, together with the proposed notification obligations, could increase redemption rates where there are a significant number of mortgage prisoners held by an unregulated lender.

In May 2019 an All-Party Parliamentary Group ("**APPG**") was set up by certain MPs to campaign to help mortgage prisoners. The APPG aims to raise awareness in Parliament of the issues faced by

mortgage prisoners and to ensure that mortgage prisoners are treated fairly. The Seller proposes to offer "mortgage prisoners" (including any in the Mortgage Pool) new terms. Where a Borrower accepts new terms from the Seller, this would result in the redemption of the existing Loan and the entering into of a new Loan (outside the Mortgage Pool), thereby resulting in a redemption of the existing Loan in the Mortgage Pool. There is a possibility that, where a significant number of Borrowers elected to switch and re-mortgage with another lender or with the Seller under a different loan, the concentration of remaining Borrowers with arrears in the Mortgage Pool may increase, and accordingly the overall credit quality of the Mortgage Pool may decrease, and that this could therefore adversely affect the ultimate amount received by the Issuer in respect of the Loans and the realisable value of the Mortgage Pool.

### ***Legal Title Transfers of Scottish Mortgages***

The validity of the form of Scottish assignation of standard securities (which transfers legal title to the Scottish equivalent of a legal mortgage) used commonly in the marketplace over the past few decades has been brought into question in a recent judgment of Banff Sheriff Court, in the case of *OneSavings Bank plc v Burns* [2017] SC BAN 20 ("**OneSavings Bank v Burns**"). In this case the court interpreted the relevant legislation as requiring a Scottish assignation to specify the amounts due under the standard securities in order to constitute a valid transfer of the legal title to such standard securities. The market practice in the majority of cases in Scotland had previously been for Scottish assignations not to specify the amounts due.

The effect of the judgment is that, where a mortgage loan and the standard security securing such loan have been transferred using a form of Scottish assignation which has not specified the amounts due thereunder, the mortgage loan will vest in the transferee, but legal title to the standard security may not vest in the transferee and instead remain vested in the transferor. As a result the transferee may – without further remedial action – encounter difficulties in trying to enforce the standard security against the underlying borrower. On 26 May 2017 an unreported judgment of the Court of Session, in the case of *Shear v Clipper Holdings*, cast doubt on the judgment in *OneSavings Bank v Burns* as in the judgment Lord Bannatyne disagreed with the approach of the Sheriff in *OneSavings Bank v Burns*. A subsequent judgment of Greenock Sheriff Court on 24 August 2017, in the case of *Promontoria (Henrico) Limited v The Firm of Portico Holdings (Scotland) and others* [2018] SC GRE 5, followed the decision in *Shear v Clipper Holdings*. Neither *OneSavings Bank v Burns* nor *Shear v Clipper Holdings* nor *Promontoria (Henrico) Limited v The Firm of Portico Holdings (Scotland) and others* are binding on other courts in Scotland and it is possible that other Sheriff courts may choose to follow either set of judgments.

Any risk is limited to those Scottish Mortgages (a) which were not originated by the Seller but which were transferred to the Seller using the form of legal title transfer held to be flawed in *OneSavings Bank v Burns*, and (b) which are being called up under enforcement proceedings which are subsequently challenged on similar grounds.

If a Scottish Mortgage is or has been subject to enforcement proceedings that are successfully challenged by a Borrower on the grounds that legal title to that Mortgage has not vested in the Seller, the Seller shall repurchase the relevant Loan and its Related Security. See "*Summary of the Key Transaction Documents – Title to the Mortgages, registration and notifications – Repurchase by the Seller*" for more information.

### ***Land Registration Reform in Scotland***

The Land Registration etc. (Scotland) Act 2012 (the "**2012 Act**") came into force in Scotland on 8 December 2014. One of the policy aims of the 2012 Act is to encourage the transfer of property titles recorded in the historic General Register of Sasines to the more recently established Land Register of Scotland with the aim of eventually closing the General Register of Sasines.



Previously, title to a residential property that was recorded in the General Register of Sasines would usually only require to be moved to the Land Register of Scotland (a process known as "first registration") when that property was sold or if the owner decided voluntarily to commence first registration. However, the 2012 Act sets out in provisions which are being brought into effect in stages, additional circumstances which will trigger first registration of properties recorded in the General Register of Sasines, including (i) the recording of a standard security (which would extend to any standard security granted by the Issuer in favour of the Security Trustee over Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Deed of Charge following a Perfection Event (a "**Scottish Sasine Sub-Security**")) or (ii) the recording of an assignation of a standard security (which, in the latter case, would extend to any assignation granted by the Seller in favour of the Issuer in respect of Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Mortgage Sale Agreement following a Perfection Event (a "**Scottish Sasine Transfer**")).

The commencement date of the 2012 Act relating to the recording of standard securities was 1 April 2016. As the transaction contemplated by the Transaction Documents involves the sale of a static pool of mortgages and standard securities, these changes should not have any immediate effect in relation to the Scottish Mortgages contained in the Portfolio at the Closing Date. As of the date of this Prospectus, the General Register of Sasines is now closed to the recording of standard securities. Notwithstanding the provisions of the 2012 Act mentioned above, for the time being, other deeds such as assignations of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines (although the Registers of Scotland have reserved the right to consult further on this issue in the future).

If the General Register of Sasines becomes closed to assignations of standard securities at any time after the date of this Prospectus, then this would also have an impact on the registration of Scottish Sasine Transfers and Scottish Sasine Sub Security executed following a Perfection Event, with the probability of higher legal costs and a longer period required to complete registration than would currently be the case.

In addition, the 2012 Act introduced provision for the Keeper of the Registers of Scotland to transfer a property title currently registered in the General Register of Sasines to the Land Register of Scotland without an application from the borrower (a process known as "**Keeper Induced Registrations**"). Registers of Scotland have now introduced Keeper Induced Registrations in certain land register counties for both publicly and privately-owned properties and have published a list of affected postcodes on its website. Keeper Induced Registrations are now actively being carried out by Registers of Scotland, often without an application being made by the borrower and in some cases without the borrower or creditor being made aware.

### ***Private Housing (Tenancies) (Scotland) Act 2016***

The Private Housing (Tenancies) (Scotland) Act 2016 came into force on 1 December 2017. Existing assured tenancies and short assured tenancies in place before 1 December 2017 will continue until brought to an end or converted. Each qualifying tenancy agreement from 1 December 2017 will be a "private residential tenancy" which will (except in a limited number of exceptions) provide tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds.

Accordingly, a lender or security holder may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under the legislation applies. It should be noted though that one of the mandatory grounds on which an eviction order can be sought is that a lender or security holder intends to sell the property and requires the tenant to leave the property in order to dispose of it with vacant possession. The effect of this legislative change is restricted to any Buy to Let Loans secured over a property in Scotland.

***Potential effects of any additional regulatory changes***

No assurance can be given that additional regulatory changes by the FCA, the PRA, the Bank of England, the Ombudsman 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, Servicer or Issuer. Any such action or developments or compliance costs may have a material adverse effect on the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

## TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions (the "**Conditions**" of the Notes and any reference to a "**Condition**" shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).

### 1. GENERAL

The £266,668,000 Class A mortgage backed floating rate Notes due March 2042 (the "**Class A Notes**"), the £14,118,000 Class B mortgage backed floating rate Notes due March 2042 (the "**Class B Notes**"), the £9,412,000 Class C mortgage backed floating rate Notes due March 2042 (the "**Class C Notes**"), the £4,707,000 Class D mortgage backed floating rate Notes due March 2042 (the "**Class D Notes**"), the £4,707,000 Class E mortgage backed floating rate Notes due March 2042 (the "**Class E Notes**" the £4,707,000 Class F mortgage backed floating rate Notes due March 2042 (the "**Class F Notes** and, together with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, the "**Notes**"), in each case of Warwick Finance Residential Mortgages Number Four PLC (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 23 August 2019 (the "**Closing Date**") and made between, *inter alios*, the Issuer and U.S. Bank Trustees Limited as trustee for the Noteholders (in such capacity, the "**Note Trustee**"). 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, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class designation of Notes, the registered holders for the time being of such Class of Notes. The security for the Notes is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on the Closing Date and made between the Issuer, the Note Trustee, Citibank, N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agent appointed under the Agency Agreement, the "**Paying Agents**"), Citibank, N.A., London Branch as registrar (in such capacity, the "**Registrar**") and Citibank, N.A., 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 (the "**Master Definitions and Construction Schedule**") entered into by, *inter alios*, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. 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.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above.

These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

## 2. FORM, DENOMINATION AND TITLE

### 2.1 Form and Denomination

The Notes will initially be represented by a global note certificate in registered form (a "**Global Note**").

The aggregate nominal amount of each Class of Notes initially offered and sold outside the United States to persons that are not U.S. Persons pursuant to Regulation S will initially be represented by one or more global registered notes in fully registered form without coupons attached (a "**Regulation S Global Note**"). The aggregate nominal amount of the each Class of Notes initially offered and sold to persons that are QIBs in reliance on Rule 144A, in transactions made in accordance with Rule 144A, is represented by one or more global registered notes in fully registered form without coupons attached (a "**Rule 144A Global Note**" and together with the Regulation S Global Note, a "**Global Note**").

For so long as any of the Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, S.A ("**Clearstream, Luxembourg**"), as appropriate. Each Global Note will be deposited with and registered in the name of a nominee of Euroclear and Clearstream, Luxembourg as their common safekeeper, and the other common depositary functions will be performed by the entity appointed by Euroclear and Clearstream, Luxembourg as their common service provider.

For so long as the Notes are represented by Global Notes and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum denominations (a) in respect of the Rule 144A Global Notes, of £100,000 and integral multiples of £1,000 in excess thereof and (b) in respect of the Regulation S Global Notes, of £100,000 and integral multiples of £1,000 in excess thereof.

A Global Note will be exchanged for the relevant Notes in definitive registered form (such exchanged Global Note, the "**Registered Definitive Notes**") only if either of the following applies:

- (a) both Euroclear and 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 permanently to cease business and do so cease to do business and no alternative clearing system 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 Closing 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 relevant Notes in definitive registered form.

If Definitive Notes are issued in respect of the Notes originally represented by a Global Note, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for

the relevant Notes in registered definitive form. The aggregate principal amount of the Registered 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 relevant Global Note.

Registered Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.

The minimum denomination of the Regulation S Definitive Notes (if issued and printed) will be £100,000. The minimum denomination of the Rule 144A Definitive Notes (if issued and printed) will be £100,000. Each of the Regulation S Definitive Notes and Rule 144A Definitive Notes will be issued at such minimum denomination or in integral multiples of £1,000 in excess thereof.

References to "**Notes**" in these Conditions shall include the Global Notes and the Registered Definitive Notes.

## 2.2 **Title**

Title to the Global Notes shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Registered Definitive Note shall only pass by and upon registration of the transfer in the Register.

Registered Definitive Notes may be transferred upon the surrender of the relevant Registered Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 2.1 (*Form and Denomination*). All transfers of Registered Definitive Notes are subject to any restrictions on transfer set forth on the Registered Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Note to be issued upon transfer of such Registered Definitive Note will, within five Business Days of receipt and surrender of such Registered Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity and/or security and/or prefunding as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

The Notes are not issuable in bearer form.

### 3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

#### 3.1 Status and relationship between the Notes

- (a) The Class A Notes constitute direct, secured and (subject as provided in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times.
- (b) The Class B Notes constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class B Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but junior to the Class A Notes as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class B Noteholders will be subordinated to the interests of the Class A Noteholders (so long as any Class A Notes remain outstanding).
- (c) The Class C Notes constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class C Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but junior to the Class A Notes and Class B Notes as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class C Noteholders will be subordinated to the interests of the Class A Noteholders and the Class B Noteholders (so long as any Class A Notes and/or Class B Notes remain outstanding).
- (d) The Class D Notes constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class D Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but junior to the Class A Notes, the Class B Notes and the Class C Notes as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class D Noteholders will be subordinated to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (so long as any Class A Notes, Class B Notes and/or Class C Notes remain outstanding).
- (e) The Class E Notes constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class E Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times, but junior to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class E Noteholders will be subordinated to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders (so long as any Class A Notes, Class B Notes, Class C Notes and/or Class D Notes remain outstanding).
- (f) The Class F Notes constitute direct, secured and (subject as provided in Condition 17 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class F Notes rank *pro*

*rata* and *pari passu* without preference or priority amongst themselves in relation to payment of principal at all times, but junior to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class F Noteholders will be subordinated to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders (so long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes and/or Class E Notes remain outstanding).

- (g) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee to have regard to the interests of each Class of Noteholders and Certificateholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee, **provided that**, the Note Trustee in its sole opinion shall have regard to the interests of:
- (A) only the Class A Noteholders if, (for so long as there are any Class A Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
    - (1) the Class A Noteholders; and
    - (2) the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders and/or the Certificateholders; and
  - (B) subject to paragraph (A) above, only the Class B Noteholders if, (for so long as there are any Class B Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
    - (1) the Class B Noteholders; and
    - (2) the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders and/or the Certificateholders;
  - (C) subject to paragraphs (A) and (B) above, only the Class C Noteholders if, (for so long as there are any Class C Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
    - (1) the Class C Noteholders; and
    - (2) the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders and/or the Certificateholders;
  - (D) subject to paragraphs (A), (B) and (C) above, only the Class D Noteholders if, (for so long as there are any Class D Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
    - (1) the Class D Noteholders; and
    - (2) the Class E Noteholders and/or the Class F Noteholders and/or the Certificateholders;

- (E) subject to paragraphs (A), (B), (C) and (D) above, only the Class E Noteholders if, (for so long as there are any Class E Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
  - (1) the Class E Noteholders; and
  - (2) the Class F Noteholders and/or the Certificateholders;
- (F) subject to paragraphs (A), (B), (C), (D) above, only the Class F Noteholders if, (for so long as there are any Class F Notes outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
  - (1) the Class F Noteholders; and
  - (2) the Certificateholders;
- (G) subject to paragraphs (A), (B), (C), (D), (E) above, only the Principal Residual Certificateholders if, (for so long as there are any Principal Residual Certificateholders outstanding), in the Note Trustee's opinion, there is a conflict between the interests of:
  - (1) the Principal Residual Certificateholders; and
  - (2) the Revenue Residual Certificateholders;
- (h) The Trust Deed also contains provisions limiting the powers of any Class to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the Most Senior Class. Except in certain circumstances described in Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*), the Trust Deed contains no such limitation on the powers of the Most Senior Class, the exercise of which (save in respect of a Basic Terms Modification) will be binding on the holders of all other Classes of Notes and Residual Certificates then outstanding, in each case irrespective of the effect thereof on their respective interests

### 3.2 Security

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold 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.

## 4. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:**



create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;

(b) **Restrictions on activities:**

engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will (i) engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;

(c) **Disposal of assets:**

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(d) **Equitable Interest:**

permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(e) **Dividends or distributions:**

pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;

(f) **Indebtedness:**

incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;

(g) **Merger:**

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(h) **No modification or waiver:**

permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

(i) **Bank accounts:**

have an interest in any bank account other than the Deposit Accounts, unless such account or interest therein is charged to the Security Trustee for itself and on trust for the other Secured Creditors on terms acceptable to the Security Trustee;

(j) **US activities:**

engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles;

(k) **Corporation tax:**

prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006 (as amended);

(l) **VAT:**

apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the VAT (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal any of the same; or

(m) **Purchase Notes:**

purchase or otherwise acquire any Notes.

## 5. INTEREST

### 5.1 Interest Accrual

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing 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 6 (*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.

### 5.2 Interest Payment Dates

The first Interest Payment Date will be the Interest Payment Date falling in March 2020.

Interest will be payable quarterly in arrears on the 21st day of March, June, September and December, in each year or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an "**Interest Payment Date**"), for all classes of Notes.

In these Conditions, "**Interest Period**" shall mean the period from (and including) an Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding Interest Payment Date.

### 5.3 Rate of Interest

- (a) The rate of interest payable from time to time in respect of each class of the Notes (each a "**Rate of Interest**" and together the "**Rates of Interest**") will be determined on the basis of the following provisions:
- (i) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) 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 (or, in respect of the first Interest Period for the Notes, the linear interpolation of LIBOR for six and twelve month deposits in Sterling) 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. The Rates of Interest for the relevant Interest Period shall be the aggregate of:
- (A) (1) from and including the Closing Date to (and excluding) the Step-Up Date, the Relevant Margin; or
- (2) from (and including) the Step-Up Date, the Relevant Step-Up Margin; and
- (B) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three months or in respect of the first Interest Period the linear interpolation of three and six monthly Sterling deposits (rounded upwards, if necessary, to five decimal places)); and
- (ii) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of paragraph (i) 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 and the Rates 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 Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which paragraph (i) above shall have applied but taking account of any change in the Relevant Margin and/or any change in the applicability of the the Relevant Step-Up Margin.

There will be no minimum or maximum Rate of Interest, subject to a floor of zero.

- (b) 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;
- (ii) **"Interest Determination Date"** means the first Business Day of the Interest Period for which the Relevant Screen Rate will apply;
- (iii) **"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, **provided that**, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
- (iv) **"Relevant Margin"** means:
  - (A) in respect of each Class of the Notes the following percentage per annum:
    - (1) in respect of the Class A Notes, 0.900 per cent. per annum (the **"Class A Margin"**);
    - (2) in respect of the Class B Notes, 1.750 per cent. per annum (the **"Class B Margin"**);
    - (3) in respect of the Class C Notes, 2.100 per cent. per annum (the **"Class C Margin"**);
    - (4) in respect of the Class D Notes, 2.500 per cent. per annum (the **"Class D Margin"**);
    - (5) in respect of the Class E Notes, 3.500 per cent. per annum (the **"Class E Margin"**);
- (v) **"Relevant Screen Rate"** means in respect of the Notes the arithmetic mean of offered quotations for three-month Sterling deposits (or, with respect to the first Interest Period, the rate which represents the linear interpolation of LIBOR for two and three month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01;
- (vi) **"Relevant Step-Up Margin"** means,
  - (A) in respect of the Class A Notes, 1.350 per cent. per annum (the **"Class A Step-Up Margin"**);
  - (B) in respect of the Class B Notes, 2.625 per cent. per annum (the **"Class B Step-Up Margin"**);
  - (C) in respect of the Class C Notes, 3.100 per cent. per annum (the **"Class C Step-Up Margin"**);
  - (D) in respect of the Class D Notes, 3.500 per cent. per annum (the **"Class D Step-Up Margin"**);
  - (E) in respect of the Class E Notes, 4.500 per cent. per annum (the **"Class E Step-Up Margin"**);

- (vii) **"Step-Up Date"** means the Interest Payment Date immediately following the Portfolio Option Commencement Date.

#### 5.4 **Determination of Rates of Interest and Interest Amounts**

The Agent Bank shall, as soon as practicable after 11.00 a.m. (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**") in respect of the Notes 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 such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 and rounding the figure downwards to the nearest penny.

#### 5.5 **Publication of Rates of Interest and Interest Amounts**

The Agent Bank shall cause the Rates of Interest, the Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) 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 15 (*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.

#### 5.6 **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 and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined 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 5.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, engage an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

#### 5.7 **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 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar 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 5.

## 5.8 Agent Bank

The Issuer shall procure that, so long as any of the Notes remain 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.

## 5.9 Determinations and Reconciliation

- (a) In the event that the Cash Manager does not receive the Servicer Reports with respect to a Collection Period (each such period, a "**Determination Period**"), then the Cash Manager may use the Servicer Reports in respect of the three most recent Collection Periods (or, where there are not Servicer Reports in respect of the three most recent Collection Periods, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 5.9. When the Cash Manager receives the Servicer Reports relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 5.9(c). Any (i) calculations properly made on the basis of such estimates in accordance with Conditions 5.9(b) and/or 5.9(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 5.9(b) and/or 5.9(c), shall be deemed to be made in accordance with the provisions of the Transaction Documents and 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) In respect of any Determination Period the Cash Manager shall:
- (i) determine the Interest Determination Ratio (as defined below) by reference to the most recent three Collection Periods for which there are Servicer Reports available for each of the three months in such Collection Period (or, where there are not at least three such Collection Periods, any previous Collection Periods) received in the preceding Collection Periods;
  - (ii) calculate the Revenue Receipts for such Determination Period as (A) the product of the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**"); and
  - (iii) calculate the Principal Receipts for such Determination Period as (A) the product of 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Principal Receipts**").
- (c) Following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 5.9(b) to the actual

collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined below) as follows:

- (i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger); and
- (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

**provided that** the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

**"Interest Determination Ratio"** means (a) the aggregate Revenue Receipts calculated in the most recent three Collection Periods for which there are Servicer Reports available for each of the three months in such Collection Period (or, where there are not at least three such Collection Periods, any previous Collection Periods) divided by (b) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Collection Periods.

**"Reconciliation Amount"** means in respect of any Collection Period, (a) the actual Principal Receipts as determined in accordance with the Servicer Reports available for each of the three months in such Collection Period, *less* (b) the Calculated Principal Receipts in respect of such Collection Period, *plus* (c) any Reconciliation Amount not applied in previous Collection Periods.

**"Servicer Reports"** means the reports to be provided by the Servicer to the Cash Manager in accordance with Clause 11.5 of the Servicing Agreement (each a **"Servicer Report"**).

## **6. PAYMENTS**

### **6.1 Payment of Interest and Principal**

Payments of principal and interest shall be made upon application by the relevant Noteholder to the specified office of the Principal Paying Agent not later than the 15<sup>th</sup> day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Global Note or Registered Definitive Notes (as the case may be) at the specified office of any Paying Agent.

### **6.2 Laws and Regulations**

Payments of principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, U.S. Treasury regulations or

administrative guidance promulgated thereunder or any law or agreement implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

### 6.3 **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 5.1 (*Interest Accrual*) and Condition 5.3(b) (*Rate of Interest*) will be paid, in respect of a Global Note, as described in Condition 6.1 (*Payment of Interest and Principal*) and, in respect of any Registered Definitive Note, in accordance with this Condition 6.

### 6.4 **Change of Paying Agents**

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 or the Registrar 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 and the Registrar with a specified office in Luxembourg or in London.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

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

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

### 6.6 **Partial Payment**

If a Paying Agent makes a partial payment in respect of any Note, the Registrar will, in respect of the relevant Note, annotate the Register, indicating the amount and date of such payment.

### 6.7 **Payment of Interest**

If interest is not paid in respect of a Note of any Class on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 6.1 (*Payment of Interest and Principal*)), 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 notice thereof has been duly given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

## 7. **REDEMPTION**

### 7.1 **Redemption at Maturity**



Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in March 2042 (and for the avoidance of doubt, the order of priority on such redemption shall be as set out in the Pre-Acceleration Priority of Payments).

## 7.2 Mandatory Redemption

- (a) Each Class of Notes shall, subject to Conditions 7.3 (*Optional Redemption of the Notes in Full*), 7.4 (*Optional Redemption for Taxation or Other Reasons*) and 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*) be redeemed on each Interest Payment Date and prior to the service of a Note Acceleration Notice:
- (i) in an amount equal to the Available Principal Receipts available for such purpose which shall be applied on a *pro rata* basis: (A) to repay the Class A Notes until they are each repaid in full; and thereafter (B) to repay the Class B Notes until they are each repaid in full; and thereafter (C) to repay the Class C Notes until they are each repaid in full; and thereafter (D) to repay the Class D Notes until they are each repaid in full; and thereafter (E) to repay the Class E Notes; and thereafter and (F) to repay the Class F Notes until they are each repaid in full;
  - (ii) in an amount equal to the Available Revenue Receipts available for such purpose (subject always to the Revenue Priority of Payments).
- (b) The principal amount redeemable in respect of each Note in a Class of Notes (the "**Note Principal Payment**"), on any Interest Payment Date prior to the service of an Enforcement Notice, as calculated on the Calculation Date immediately preceding such Interest Payment Date, shall be a proportion of the amount of Available Principal Receipts required as at that Interest Payment Date pursuant to the relevant Priority of Payments to be applied in redemption of the relevant Class of Notes on such date, equal to the proportion that the Principal Amount Outstanding of the relevant Note bears to the aggregate Principal Amount Outstanding of such Class of Notes rounded down to the nearest penny, **provided always** that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note. With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such Note) and (iii) the fraction expressed as a decimal to the sixth decimal point (the "**Pool Factor**") in respect of each Class of Notes, of which the numerator is the Principal Amount Outstanding of that Class of Notes and the denominator is the principal amount of that Class of Notes on the Closing Date. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of manifest error) be final and binding on all persons.
- (c) The Issuer will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on the Official List of the Central Bank of Ireland and admitted to trading on Euronext Dublin) Euronext Dublin, and will immediately cause notice of each such determination to be given to

the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on any Class of Notes on any Interest Payment Date a notice to this effect will be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

### 7.3 **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 15 (*Notice to Noteholders*) and the Note Trustee, and **provided that:**
- (i) on or prior to the Interest Payment Date on which such notice expires (such Interest Payment Date on which the redemption occurs, 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 (upon which certificate the Note Trustee may rely without further enquiry or liability) 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 all 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 on which the aggregate Principal Amount Outstanding of all the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date,

the Issuer may redeem on any Optional Redemption Date all of the Notes on such Optional Redemption Date.

- (b) Any Notes redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Notes to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Notes up to but excluding the Optional Redemption Date.

### 7.4 **Optional Redemption for Taxation or Other Reasons**

If by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes) 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 or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax then the Issuer shall, if the same would avoid the effect of such relevant event described above, appoint a 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 and the Trust Deed, **provided that** (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders of any Class (and in making such determination, the Note Trustee may rely absolutely, without liability and without investigation or inquiry, on (A) any written confirmation from each of the Rating Agencies that the then current ratings of the Notes would not be adversely affected by such substitution) or (B) a written certification from the Issuer (on the basis of the appropriate advice having been received by the Issuer) to the Note Trustee that such proposed action (i) (while any Notes remain outstanding) has been notified to the Rating Agencies, (ii) would not have an adverse impact on the Issuer's ability to make payment when due in respect of the Notes, (iii) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security and (iv) would not have an adverse effect on the rating of the Notes (upon which confirmation or certificate the Note Trustee shall be entitled to rely absolutely, without further enquiry and without liability to any person for so doing), and (ii) such substitution would not require registration of any new security under US securities laws or materially increase the disclosure requirements under US law.

If the Issuer certifies to the Note Trustee (upon which certification the Note Trustee may be entitled to rely absolutely and without further enquiry or liability), immediately before giving the notice referred to below that the event described above is continuing and that the appointment of a 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 appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee and Noteholders in accordance with Condition 15 (*Notice to Noteholders*), redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption **provided that**, 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 (i) the circumstances referred to above prevails, (ii) setting out details of such circumstances and (iii) confirming that the appointment of a 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 appointment or substitution 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 and each of the Paying Agents has or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled to accept without enquiry or liability such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Noteholders.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Note Trustee (upon which certification the Note Trustee may be entitled to rely absolutely and without further enquiry) that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Revenue Priority of Payments to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

## 7.5 **Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale**

- (a) On giving not more than 60 days' nor less than 3 Business days' notice to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and the Note Trustee, upon the occurrence of a Portfolio Purchase in accordance with the

provisions of the Deed Poll or a Market Portfolio Sale in accordance with the provisions of the Liquidation Agent Agreement, the consideration received by the Issuer will be applied in accordance with the Pre-Acceleration Principal Priority of Payments on the immediately succeeding Interest Payment Date with the result that the Notes will be redeemed in full in accordance with this Condition 7.5.

- (b) Any Note redeemed pursuant to Condition 7.5(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 up to but excluding the Interest Payment Date on which the redemption occurred.

#### **7.6 Principal Amount Outstanding**

The "Principal Amount Outstanding" means, on any day:

- (a) in relation to a Note, the principal amount outstanding of that Note as at the Closing Date, less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and been paid) on or prior to that day;
- (b) in relation to a class, the aggregate of the amount in paragraph (a) above in respect of all Notes outstanding in such class; and
- (c) in relation to the Notes outstanding at any time, the aggregate of the amount in paragraph (a) above in respect of all Notes outstanding, regardless of class.

#### **7.7 Notice of Redemption and Priority of Redemption**

Any such notice as is referred to in Condition 7.3 (*Optional Redemption of the Notes in Full*), Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) or Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*) shall be irrevocable and, upon the expiry of such notice, the Issuer 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 pursuant to Condition 7.3 (*Optional Redemption of the Notes in Full*), Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) or Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*) may be relied on by the Note Trustee without further investigation or liability and, if so relied on, shall be conclusive and binding on the Noteholders.

Amounts to be applied towards redemption of Notes pursuant to this Condition 7 shall be applied in accordance with the Pre-Acceleration Principal Priority of Payments.

#### **7.8 Liquidation of Portfolio**

If the Issuer is required to or proposes to exercise its rights to redeem the Notes in full pursuant to Condition 7.3 (*Optional Redemption of the Notes in Full*), Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) or Condition 7.5 (*Mandatory Redemption in full pursuant to a Portfolio Purchase or a Market Portfolio Sale*), the Issuer shall (except where the Notes are proposed to be redeemed in full pursuant to a Portfolio Purchase) direct the Liquidation Agent to effect a Market Portfolio Sale pursuant to the terms of the Liquidation Agent Agreement.

#### **7.9 Purchase by the Issuer**

The Issuer may at any time purchase Notes using Principal Receipts provided that all of the Notes in each Class in respect of which payment of principal ranks in order of priority ahead of payment of principal in respect of the Notes to be purchased have been redeemed in full and, in the case of any purchase of Definitive Notes, all unmatured coupons, receipts appertaining thereto are attached thereto or surrendered therewith.

#### 7.10 **Cancellation**

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

### 8. **TAXATION**

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, subject to Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*), the Issuer or, as the case may be, the relevant 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 any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

### 9. **PRESCRIPTION**

Claims in respect of principal and interest on the Notes will be prescribed after ten 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 9, 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 15 (*Notice to Noteholders*).

### 10. **EVENTS OF DEFAULT**

#### 10.1 **Notes**

The Note Trustee at 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 Most Senior Class of Notes then outstanding or if so directed by an Extraordinary Resolution of the Most Senior Class of Notes shall, (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction) give a notice (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 and all Residual Payments are immediately due and payable as provided in the Trust Deed, if any of the following events (each, an "**Event of Default**") occur:

- (a) subject to Condition 17 (*Subordination by Deferral*), if default is made in the payment of any principal or interest due in respect of the Notes and the default continues for a period of seven days in the case of principal or 14 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 the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 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 any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Most Senior Class; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Most Senior Class of Notes, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

## 10.2 General

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Condition 10.1 (*Notes*), all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest and the Residual Certificates will become immediately due and payable as provided in the Trust Deed.

## **11. ENFORCEMENT**

### **11.1 General**

The Note Trustee may, at any time, at its discretion and without notice, take such proceedings (including lodging an appeal in any proceedings), actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes, the Residual Certificates or the Trust Deed (including these Conditions or the Residual Certificates Conditions) or any of the other Transaction Documents to which it is a party or, for as long as any Notes or Residual Certificates are outstanding, direct the Security Trustee to enforce the Security in accordance with the terms of the Deed of Charge. However the Note Trustee and the Security Trustee (as applicable) shall not be bound to take any such proceedings, action or steps, and the Security Trustee shall not be bound to act on any such direction or instruction, unless:

- (a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking class or classes of Noteholders or Certificateholders (including the provisions set out in Clause 13 (*Action, Proceedings and Indemnification*) and Schedule 7 (*Provisions for Meetings of Noteholders and Certificateholders to the Trust Deed*), the Note Trustee shall have been so directed (or the Note Trustee shall have been directed to direct the Security Trustee) by an Extraordinary Resolution of the holder of the Most Senior Class of Notes or directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if all of the Notes have been redeemed, it has been directed to do so by an Extraordinary Resolution of the Most Senior Class of Certificateholders or in writing by the holders of at least 25 per cent. in number of the Most Senior Class of Residual Certificates; and
- (b) in all cases, it and the Security Trustee (as applicable) shall have been indemnified and/or prefunded and/or secured to their respective satisfaction.

No Noteholder or Certificateholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing. Any proceeds received by a Noteholder or a Certificateholder pursuant to any such proceedings shall be paid promptly following receipt thereof to the Note Trustee (for application pursuant to the Priorities of Payment).

### **11.2 Preservation of Assets**

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or the Residual Certificates, the Security Trustee will not be entitled to dispose of any of the Charged Property or any part thereof unless either:

- (a) a sufficient amount would be realised to allow discharge in full on a pro-rata and pari passu basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders pursuant to the Post-Acceleration Priority of Payments) (or (I) once all of the Class A Noteholders have been repaid, to the Class B Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (II) once all the Class A Noteholders and the Class B Noteholders have been repaid, to the Class C Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (III) once all the Class A Noteholders, Class B Noteholders and Class C Noteholders have been repaid, to the Class D Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (IV) once all the

Class A Noteholders, Class B Noteholders, Class C Noteholders and Class D Noteholders have been repaid, to the Class E Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (V) once all the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders and the Class F Noteholders have been repaid, to the Class F Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments) (VI) once all the Noteholders have been repaid, to the Principal Residual Certificateholders (when taken together with any earlier payment made to the Principal Residual Certificateholders, such amount paid to the Principal Residual Certificateholders not to exceed the PRC Overcollateralisation Amount) (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments)) and (VII) once payments due to the Principal Residual Certificateholders have been made (as above), to the Revenue Residual Certificateholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments); or

- (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders pursuant to the Post-Acceleration Priority of Payments) (or (I) once all of the Class A Noteholders have been repaid, to the Class B Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (II) once all the Class A Noteholders and the Class B Noteholders have been repaid, to the Class C Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (III) once all the Class A Noteholders, Class B Noteholders and Class C Noteholders have been repaid, to the Class D Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (IV) once all the Class A Noteholders, Class B Noteholders, Class C Noteholders and Class D Noteholders have been repaid, to the Class E Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (V) once all the Class A Noteholders, Class B Noteholders, Class C Noteholders, Class D Noteholders and Class E Noteholders have been repaid, to the Class F Noteholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments), (VI) once all the Noteholders have been repaid, to the Principal Residual Certificateholders (when taken together with any earlier payment made to the Principal Residual Certificateholders, such amount paid to the Principal Residual Certificateholders not to exceed the PRC Overcollateralisation Amount) (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments) and (VII) once payments due to the Principal Residual Certificateholders have been made (as above), to the Revenue Residual Certificateholders (and all persons ranking in priority thereto pursuant to the Post-Acceleration Priority of Payments)).

### 11.3 Limitations on Enforcement

No Noteholder or Certificateholder shall be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.



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

#### 11.4 **Limited Recourse**

If at any time following:

- (a) the occurrence of either:
  - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or
  - (ii) the service of a Note Acceleration Notice; and
- (b) realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Payments Priorities,

the proceeds of such Realisation are insufficient, after the same have been allocated in accordance with the applicable Priority of Payments, to pay in full all claims ranking in priority to the Notes and all amounts then due and payable under any class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (b) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in paragraph (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 11:

**"Realisation"** means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Relevant Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

**"Charged Property"** means the property of the Issuer which is subject to the Security.

## 12. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

- 12.1 The Trust Deed contains provisions for convening meetings of the Noteholders and Certificateholders 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.

For the purposes of these Conditions, **"Most Senior Class"** means:

- (a) the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class B Notes then outstanding, the Class C Notes or, if there are no Class C Notes then outstanding, the Class D Notes or, if there are no Class D Notes outstanding, the Class E Notes or, if there are no Class E Notes outstanding, the Class F Notes; and
- (b) if there are no Notes outstanding, the Principal Residual Certificates or, if there are no Principal Residual Certificates then outstanding, the Revenue Residual Certificates.

## 12.2 Most Senior Class of Notes, Limitations on other Noteholders and Certificateholders

Other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of each of the relevant Classes of Notes and/or the Residual Certificates (in each case only if such Class or the Residual Certificates are affected by such Basic Terms Modification) passed at separate meetings(s) of the holders of such classes and/or such Residual Certificates:

- (a) A resolution (including an Extraordinary Resolution) passed at any meeting of the holders of the Most Senior Class shall be binding on holders of all other Classes of Notes and the Residual Certificates irrespective of the effect it has upon them.
- (b) A resolution (including an Extraordinary Resolution) passed at any meeting of a relevant Class of Noteholders shall be binding on (i) all other Classes of Noteholders ranking junior to such Class of Noteholders in the Priorities of Payments in each case and (ii) the Residual Certificates, in each case irrespective of the effect it has upon them.
- (c) A resolution (including an Extraordinary Resolution) passed at any meeting of Principal Residual Certificateholders shall be binding on the Revenue Residual Certificateholders.
- (d) No resolution or Extraordinary Resolution of any other Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Most Senior Class of Noteholders or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Most Senior Class of Noteholders.

## 12.3 Quorum

- (a) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Extraordinary Resolution will be one or more persons present and holding or representing not less than 50% of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes. The quorum at any meeting of any Class or Classes of Certificateholders for passing an Extraordinary Resolution will be one or more persons present and holding or representing not less than 50% of the number of the relevant Class or Classes of Residual Certificates then outstanding.
- (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes of Notes or holders of any Class or Classes of Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes (other than a modification made in accordance with Condition 12.15(e) (*Additional Right of Modification*)), (iii) sanction a modification of the date of payment of Residual Payments in respect of the Residual Certificates, or where applicable, or of the method of calculating the date of payment in respect of the Residual Certificates, (iv) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, (v) sanction a modification of the definitions of Residual Payment or Residual Payment Amount (including, in relation to any Class of Notes or Residual Certificates, if any

such modification is proposed for any Class of Notes senior to such Class or the Residual Certificates), (vi) alter the currency in which payments under the Notes or Residual Certificates are to be made, (v) alter the quorum or majority required in relation to any Extraordinary Resolution or Ordinary Resolution, (vii) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (viii) alter the definition of outstanding (as defined in the Master Definitions and Construction Schedule), or (ix) alter any of the provisions contained in this exception but, for the avoidance of doubt, excluding any modification or amendment made in accordance with Condition 12.15(e) (each a "**Basic Terms Modification**") shall be one or more persons present and holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes or one or more persons present and holding or representing in the aggregate not less than three-quarters of the number of the relevant Class or Classes of Residual Certificates then outstanding. The quorum at any adjourned meeting shall be one or more persons present and holding or representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 10 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable, for transaction of business including the passing of an Ordinary Resolution. The quorum at any adjourned meeting for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than 25 per cent. of the aggregate in Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or present and holding or representing not less than 25 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. The quorum for passing a Basic Terms Modification at any adjourned meeting shall be one or more persons present and holding or representing in the aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or present and holding or representing not less than 50 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. Any Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at separate meetings of each Class of Noteholders or Class of Certificateholders, if so affected.

The Trust Deed contains similar provisions in relation to directions in writing from the Noteholders or Certificateholders upon which the Note Trustee is bound to act.

- 12.4 Subject to Condition 12.14 (*Mandatory consents*) the Note Trustee may, from time to time and at any time, only with the consent of the Secured Creditors which are party to the relevant Transaction Document and in respect of any modification in connection with the Deed Poll and the Portfolio Option granted therein, with the written consent of the Portfolio Option Holder, and without the consent or sanction of the Noteholders or the Certificateholders or the other Secured Creditors, concur with the Issuer or any other person or (for as long as there are any Notes or Residual Certificates outstanding) instruct the Security Trustee to concur with the Issuer or any other person, in making or sanctioning any modification:
- (a) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, other than in respect of a Basic Terms Modification (for these purposes, any modification made in accordance with Condition 12.15(e) (*Additional Right of Modification*) shall not be a Basic Terms Modification), which in the opinion of the Note Trustee will not be materially prejudicial to the interests of the holders of the Most Senior Class; or

- (b) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.

The Note Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (a) exposing the Note Trustee or the Security Trustee, as applicable, to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights, powers, authorities, indemnification or protections, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions and/or the Residual Certificates Conditions.

- 12.5 The Note Trustee may also without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and in respect of any modification in connection with the Deed Poll and the Portfolio Option granted therein, with the written consent of the Portfolio Option Holder, and without prejudice to its rights in respect of any subsequent breach or Event of Default at any time and from time to time but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Most Senior Class shall not be materially prejudiced thereby, waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in the Trust Deed or any other Transaction Document or determine that any Event of Default shall not be treated as such (and so long as there are any Notes or Residual Certificates outstanding direct the Security Trustee to do any of the foregoing), **provided that** the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class or by a direction under Condition 10 (*Events of Default*) or Residual Certificates Condition 9 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.
- 12.6 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders and the Certificateholders as soon as practicable thereafter in accordance with Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*).
- 12.7 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 12.8 In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee may also agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions, the Residual Certificates, the Residual Certificates Conditions and/or any of the Transaction Documents (and in the case of the Deed Poll and the Portfolio Option granted therein, without the consent of the Portfolio Option Holder), provided that such change would not, in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders or Certificateholders of any Class.
- 12.9 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee may, among other things, have regard to whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Rated Notes. It is agreed and acknowledged by the Note Trustee that, notwithstanding the foregoing, a credit

rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Note Trustee, the Noteholders, the Certificateholders or any other person or create any legal relations between each of the Rating Agencies and the Note Trustee, the Noteholders, the Certificateholders or any other person whether by way of contract or otherwise.

12.10 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 any Class or Classes or to the Certificateholders, it shall have regard to the general interests of the Noteholders of such Class or Classes as a Class or to the Certificateholders as a whole but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) or Certificateholders 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 or Certificateholders.

12.11 "**Extraordinary Resolution**" means:

- (a) in respect of the holders of any Class of Notes:
  - (i) 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 two thirds of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or
  - (ii) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes 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;
- (b) in respect of the holders of any Class of the Residual Certificates:
  - (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions, by a majority consisting of persons present and holding or representing in the aggregate not less than three quarters of the number of Residual Certificates of such Class then outstanding and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or

- (ii) a resolution in writing signed by or on behalf of the Certificateholders of not less than three-quarters of the number of Residual Certificates of such Class 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 Certificateholders.

#### 12.12 "Ordinary Resolution"

- (a) means in respect of the holders of any Class of Notes:
  - (i) 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 persons eligible to attend and vote at such meeting and voting at such meeting on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll; or
  - (ii) a resolution in writing signed by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes, 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;
- (b) in respect of the holders of any Class of the Residual Certificates:
  - (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by a clear majority of the persons eligible to attend and vote at such meeting voting thereat on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll; or
  - (ii) a resolution in writing signed by or on behalf of the Certificateholders of not less than a clear majority in number of the relevant Class of Residual Certificates 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 Certificateholders;

#### 12.13 Issuer Substitution Condition

The Note Trustee may concur, with the Issuer to any substitution under these Conditions and subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and the Residual Certificates and in respect of the other Secured Obligations, **provided that** the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 (*Covenants*). In the case of a substitution pursuant to this Condition 12.13, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders or the Certificateholders, to a change in law governing the Notes and/or the Residual Certificates and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders of any Class.

## 12.14 **Mandatory consents**

Without prejudice to the provisions of Conditions 12.4 (*Meetings of Noteholders, Modification, Waiver and Substitution*) and 12.5 (*Meetings of Noteholders, Modification, Waiver and Substitution*), the Issuer, Servicer or the Cash Manager (each a "**Requesting Party**") may, at any time during the term of the Trust Deed, request that the Note Trustee agree and/or (for as long as any Notes or Residual Certificates remain outstanding) request the Note Trustee to direct the Security Trustee to agree amendments to or waivers in respect of any Transaction Documents, enter into new Transaction Documents or consent to any other relevant party doing so (as the case may be) to effect the closure of the Collection Accounts held with the Collection Account Bank, the appointment of an alternative bank (which may or may not be the Co-operative Bank p.l.c.) as the replacement collection account bank (the "**Replacement Collection Account Bank**"), the opening of one or more replacement collection accounts with the Replacement Collection Account Bank (which may each be used to collect direct debit payments in respect of the Seller and Legal Title Holders and/or other payments in respect of loans not in the Portfolio) (each a "**Replacement Collection Account**"), the transfer of any monies from the Collection Accounts to a Replacement Collection Account and the entry into of all related documentation (including any declaration of trust over the Replacement Collection Account) (the "**Transaction Amendments**"), irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class, any Certificateholder, any other Secured Party or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or the Certificateholders or any other Secured Creditors if the Amendment Conditions are satisfied. "**Amendment Conditions**", means:

- (a) the Replacement Collection Account Bank meets the Collection Account Rating Agency Required Ratings;
- (b) confirmation in writing from the relevant Requesting Party to the Note Trustee and the Security Trustee (as applicable) that DBRS and any other Rating Agency not included in the definition of Collection Account Rating Agency Required Ratings have been given at least 15 days' notice of such proposed Transaction Amendments and have not raised any objections thereto;
- (c) confirmation in writing from the relevant Requesting Party to the Note Trustee and the Security Trustee (as applicable) that none of the Priorities of Payments will be amended as a result of such Transaction Amendments; and
- (d) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, have the effect of (i) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee or the Security Trustee or (ii) exposing the Note Trustee or the Security Trustee to any liability which it has not been indemnified and/or secured and/or prefunded to the Note Trustee's or Security Trustee's satisfaction.

For the avoidance of doubt and 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 (or, where the Note Trustee or, as the case may

be, the Security Trustee is not a party to the relevant Transaction Document, providing their consent in respect of) such Transaction Amendments. Each of them shall rely without liability and without investigation on any confirmation provided to it in connection with the Transaction Amendments and shall not monitor or investigate whether the Issuer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be) is acting in a commercially reasonable manner, nor shall either of them be responsible for any liability that may be occasioned to any person by acting in accordance with these provisions based on any written notification or confirmation it receives from the Issuer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be).

Reference in this Condition 12.14 to a confirmation in writing of a Requesting Party shall be to a written confirmation signed by, in the case of the Issuer, two directors thereof and in all other cases two authorised signatories of such Requesting Party.

#### 12.15 **Additional Right of Modification**

Notwithstanding any of the provisions of this Condition 12 and Residual Certificates Condition 11 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*), the Note Trustee shall be obliged, without any consent or sanction of the Noteholders, Certificateholders, or, subject to proviso (C) below, any of the other Secured Creditors, to concur with the Issuer, and/or direct the Security Trustee to concur with the Issuer, in making any modification (other than in respect of a Basic Terms Modification) (for these purposes, any modification made in accordance with Condition 12.15(e) shall not be a Basic Terms Modification)) any modification to these Conditions or any other Transaction Document and in respect of any modification in connection with the Deed Poll and the Portfolio Option granted therein, with the written consent of the Portfolio Option Holder to which either the Note Trustee or the Security Trustee is a party or in relation to which the Security Trustee holds Security that the Issuer considers necessary (the "**Relevant Document**"):

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that the Issuer (or the Cash Manager on its behalf) certifies in writing to the Note Trustee and the Security Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria;
- (b) (I) for the purpose of complying with any changes in the requirements under (i) the Securitisation Regulation (the "**Securitisation Regulation**") after the Closing Date, including as a result of any changes as a result of the adoption of Regulatory Technical Standards in relation to the Securitisation Regulation, (ii) the CRR Amendment Regulation or (iii) any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect, or (II) for the purpose of complying with any changes in the requirements of the U.S. Risk Retention Rules, including as a result of any other U.S. risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;
- (c) for the purpose of enabling the Notes to be (or to remain) listed on Euronext Dublin, provided that the Issuer (or the Cash Manager on its behalf) certifies to the Note



Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

- (d) for the purposes of enabling the Issuer or any other person that is party to a Transaction Document (a "**Transaction Party**") to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code ("**FATCA**") (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer (or the Cash Manager on its behalf) or the relevant Transaction Party, as applicable, certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (e) for the purpose of changing the Relevant Screen Rate or the base rate that then applies in respect of the Notes to an alternative base rate (any such rate, which may include an alternative Relevant Screen Rate, an "**Alternative Base Rate**") and making such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer (or the Servicer on its behalf) to facilitate such change (a "**Base Rate Modification**"), provided that the Issuer (or the Servicer on its behalf), certifies to the Note Trustee and the Security Trustee in writing) that:
  - (i) such Base Rate Modification is being undertaken due to:
    - (A) a material disruption to LIBOR, an adverse change in the methodology of calculating LIBOR or LIBOR ceasing to exist or be published;
    - (B) a public statement by the LIBOR administrator that it will cease publishing LIBOR permanently or indefinitely (in circumstances where no successor LIBOR administrator has been appointed that will continue publication of LIBOR);
    - (C) a public statement by the supervisor of the LIBOR administrator that LIBOR has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner;
    - (D) a public announcement of the permanent or indefinite discontinuation of the Relevant Screen Rate or base rate that applies to the Notes;
    - (E) public statement by the supervisor of the LIBOR administrator that means LIBOR may no longer be used or that its use is subject to restrictions or adverse consequences; or
    - (F) the reasonable expectation of the Issuer (or the Servicer on its behalf) that any of the events specified in paragraphs (A) to (E) above will occur or exist within six months of the proposed effective date of such Base Rate Modification; and
  - (ii) such Alternative Base Rate is:

- (A) a base rate published, endorsed, approved or recognised by the Federal Reserve or the Bank of England, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Notes are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing);
- (B) the Sterling Over Night Index Average or the Broad Treasuries Repo Financing Rate (or any rate which is derived from, based upon or otherwise similar to either of the foregoing);
- (C) a base rate utilised in a material number of publicly-listed new issues of Sterling-denominated asset backed floating rate notes prior to the effective date of such Base Rate Modification;
- (D) a base rate utilised in a publicly-listed new issue of Sterling-denominated asset backed floating rate notes where the originator of the relevant assets is the Seller or an Affiliate thereof; or
- (E) such other base rate as the Servicer (on behalf of the Issuer) reasonably determines,

and in each case, the change to the Alternative Base Rate will not, in its opinion, be materially prejudicial to the interest of the Noteholders; and

For the avoidance of doubt, the Issuer (or the Servicer on its behalf) may propose an Alternative Base Rate on more than one occasion provided that the conditions set out in this Condition 12.15(e) are satisfied;

(the certificate to be provided by the Issuer (or the Cash Manager on its behalf) or the relevant Transaction Party, as the case may be, pursuant to Conditions 12.15(a) to (e) being a "**Modification Certificate**"), (upon which the Note Trustee and the Security Trustee may rely absolutely and without further enquiry or liability to any person for so doing), provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee;
- (B) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee both at the time the Note Trustee and the Security Trustee is notified of the proposed modification and on the date that such modification takes effect;
- (C) the prior written consent of each Secured Creditor (other than any Noteholder and Certificateholder) which is party to the Relevant Document (and in respect to any modification in connection with the Deed Poll and the Portfolio Option granted therein the prior written consent of the Portfolio Option Holder) has been obtained;
- (D) either:
  - (1) the Issuer (or the Cash Manager on its behalf) obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in (x) a downgrade,

withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); or

- (2) the Issuer (or the Cash Manager on its behalf) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and
- (E) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class and the Certificateholders of each Class of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes; and
- (F) (1) in any case other in respect of any proposed modification under Condition 12.15(e), Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if no Notes are outstanding, Certificateholders representing at least 10 per cent. in number of the Most Senior Class of Residual Certificates then outstanding have not contacted the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or (as applicable) the Residual Certificates may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders object to the modification; or
- (2) in respect of any proposed modification under Condition 12.15(e), the Certificateholders have expressly consented to such proposed modification and the Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or (as applicable) the Residual Certificates may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders object to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if no Notes are outstanding, Certificateholders representing at least 10 per cent. of the number of the Most Senior Class of Residual Certificates then outstanding have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or Residual Certificates may be held) within the notification period referred to above that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Most Senior Class then outstanding is passed in favour of such modification in accordance with this Condition 12.

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing

market practices) of the relevant Noteholder's holding of the Notes or the Certificateholder's holding of the Residual Certificates.

Where such Noteholders or Certificateholders have not so notified the Principal Paying Agent or Issuer of such objection, or an Extraordinary Resolution of the Most Senior Class then outstanding is passed in favour of such modification in accordance with this Condition 12, then the Note Trustee shall be obliged to agree to the modification and to direct the Security Trustee accordingly.

When implementing any modification pursuant to this Condition 12.15 (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee and the Security Trustee shall not consider the interests of the Noteholders, Certificateholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 12.15 and shall not be liable to the Noteholders, Certificateholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

The Note Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee (or as the case may be, the Security Trustee) would have the effect of (i) exposing the Note Trustee (or as the case may be, the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee (or as the case may be, the Security Trustee) in the Relevant Documents and/or these Conditions.

Any such modification shall be binding on all Noteholders and Certificateholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (a) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (b) the Secured Creditors;
- (c) the Noteholders in accordance with Condition 15 (*Notice to Noteholders*); and
- (d) the Certificateholders in accordance with Residual Certificates Condition 14 (*Notice to Certificateholders*).

#### 12.16 **Non-responsive rating agency**

- (a) In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account (and may rely without further enquiry and without liability on) any written confirmation or affirmation (in any form acceptable to the Note Trustee and the Security Trustee) from the relevant Rating Agencies that the then current ratings of the Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Ratings Confirmation**").
- (b) If a Ratings Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Ratings

Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee) and:

- (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Ratings Confirmation necessary in the circumstances or that it does not, as a matter of practice or policy provide such Ratings Confirmation; or
- (B) within 30 days of delivery of such request, no Ratings Confirmation is received and/or such request elicits no statement by such Rating Agency that such Ratings Confirmation or response could not be given; and
- (ii) one Rating Agency gives such Ratings Confirmation or response based on the same facts,

then such condition to receive a Ratings Confirmation from each Rating Agency shall be modified so that there shall be no requirement for the Ratings Confirmation from the Non-Responsive Rating Agency if the Issuer (or the Cash Manager on its behalf) provides to the Note Trustee and the Security Trustee a certificate (upon which the Note Trustee and the Security Trustee can rely) certifying and confirming that the events in one of paragraph (i)(A) or (B) above and the event in paragraph (ii) above have occurred, the Issuer having sent a written request to each Rating Agency (copying the Security Trustee).

### **13. 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 action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured 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 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, (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.

### **14. REPLACEMENT OF NOTES**

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar. 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.

## 15. NOTICE TO NOTEHOLDERS

### 15.1 Publication of Notice

- (a) Subject to Condition 15.1(c) any notice to Noteholders shall be validly given if published in the *Financial Times*, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, **provided that** if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), or (ii) Condition 15.1(c) applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such information. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.
- (b) In respect of Notes in definitive form, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.
- (c) Whilst the Notes are represented by Global Note, notices to Noteholders will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

### 15.2 Note Trustee's Discretion to Select Alternative Method

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and **provided that** notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

## 16. REPLACEMENT NOTES

- 16.1 If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is satisfied, the Issuer may, without the consent of the Noteholders or of the Certificateholders, issue one or more Classes of replacement notes ("**Replacement Notes**") to replace one or more Classes of the Notes, each Class of which shall have terms and conditions which may differ from the terms and conditions of the Class of Notes which it replaces and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the class of Notes which it replaces, **provided that** the class or classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (*Optional Redemption of the Notes in Full*).

16.2 If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is not satisfied, the Issuer may, without the consent of the Noteholders, issue one or more Classes of Replacement Notes to replace one or more Classes of the Notes, each class of which shall have the same terms and conditions in all respects as the Class of Notes which is replaced (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the Class of Notes being replaced and except that such Replacement Notes may have the benefit of a financial guarantee or similar arrangement and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the Class of Notes which it replaces, **provided that** the Class or Classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (*Optional Redemption of the Notes in Full*), in respect of such issue of Replacement Notes and **provided further that**, for the purposes of this Condition 16.2, where interest in respect of the Replacement Notes or the Class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced shall be deemed to be the fixed rate payable by the Issuer under the interest rate exchange agreement entered into by the Issuer in relation to the Replacement Notes or, as the case may be, the Class of Notes being replaced.

## 17. SUBORDINATION BY DEFERRAL

### 17.1 Interest

If, on any Interest Payment Date and other than in respect of the Class A Notes, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 17, include any interest previously deferred under this Condition 17.1 and accrued interest thereon) payable after having paid or provided for items of higher priority in the Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the "**Deferred Interest**") in respect of the relevant Class of Notes to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Revenue Priority of Payments).

### 17.2 General

Any amounts of Deferred Interest in respect of any Class of Notes shall accrue interest ("**Additional Interest**") at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 17.1 (*Interest*) applies) or on such earlier date as the relevant Class of Notes become due and repayable in full in accordance with these Conditions.

### 17.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on any Class of Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 17, the Issuer will give notice thereof to the relevant Noteholders in accordance with Condition 15 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 17 will not constitute an Event of Default. The provisions of this Condition 17 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or required to be redeemed in full at which time all Deferred Interest and Additional Interest thereon shall become due and payable.

**18. GOVERNING LAW**

The Trust Deed, the Deed of Charge, the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law (other than certain supplemental security documents to be granted pursuant to the Deed of Charge which will be governed by and shall be construed in accordance with Scots law).

**19. 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.



## TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

*The following are the Terms and Conditions of the Residual Certificates (the "**Residual Certificates Conditions**") and any reference to a Residual Certificates Condition shall be construed accordingly) in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below)*

### 1. GENERAL

The 10,000 principal residual certificates (the "**Principal Residual Certificates**") and 10,000 revenue residual certificates (the "**Revenue Residual Certificates**" and together with the Principal Residual Certificates the "**Residual Certificates**") of Warwick Finance Residential Mortgages Number Four PLC (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 23 August 2019 (the "**Closing Date**") and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Certificateholders (in such capacity, the "**Note Trustee**").

Any reference in these Residual Certificates Conditions to a Class of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as the case may be, or to the respective holders thereof. Any reference in these Residual Certificates Conditions to a Class of Residual Certificates or Residual Certificateholders shall be a reference to the Principal Residual Certificates, the Revenue Residual Certificates or as the case may be to the respective holders thereof. Any reference in these Residual Certificates Conditions to the Certificateholders means the registered holders for the time being of the Residual Certificates.

The security for the Residual Certificates is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and

U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on the Closing Date and made between the Issuer, the Note Trustee, Citibank, N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agent appointed under the Agency Agreement, the "**Paying Agent**"), Citibank, N.A., London Branch as registrar (in such capacity, the "**Registrar**") and Citibank, N.A., London Branch as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, *inter alia*, the payment of amounts in respect of the Residual Certificates.

The statements in these Residual Certificates 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 (the "**Master Definitions and Construction Schedule**") entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Certificateholders 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.

Capitalised terms not otherwise defined in these Residual Certificates Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Residual Certificates Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

## 2. FORM AND TITLE

### 2.1 Form and Denomination

Each Principal Residual Certificate initially offered and sold outside the United States to persons that are not U.S. Persons pursuant to Regulation S will initially be represented by a Global Principal Residual Certificate in registered form (a "**Regulation S Global Principal Residual Certificate**"). Each Principal Residual Certificate initially offered and sold to persons that are QIBs in reliance on Rule 144A under the Securities Act, in transactions made in accordance with Rule 144A, will initially be represented by a Global Principal Residual Certificate in registered form (a "**Rule 144A Global Principal Residual Certificate**" and together with the Regulation S Global Residual Certificate, a "**Global Residual Certificate**").

Each Revenue Residual Certificate initially offered and sold outside the United States to persons that are not U.S. Persons pursuant to Regulation S will initially be represented by a Global Revenue Residual Certificate in registered form (a "**Regulation S Global Revenue Residual Certificate**"). Each Revenue Residual Certificate initially offered and sold to persons that are QIBs in reliance on Rule 144A under the Securities Act, in transactions made in accordance with Rule 144A, will initially be represented by a Global Revenue Residual Certificate in registered form (a "**Rule 144A Global Revenue Residual Certificate**" and together with the Regulation S Global Residual Certificate, a "**Global Residual Certificate**").

For so long as any of the Residual Certificates are represented by a Global Residual Certificate, transfers and exchanges of beneficial interests in such Global Residual Certificate and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), as appropriate. Each Global Residual Certificate will be deposited with and registered in the name of a nominee of a Common Depository for Euroclear and Clearstream, Luxembourg.

A Global Residual Certificate will be exchanged for the relevant Residual Certificate in definitive registered form (such exchanged Global Residual Certificate, the "**Registered Definitive Residual Certificates**") only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
  - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or
  - (ii) announce an intention permanently to cease business and do so cease to do business

and in either case 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 Closing 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 Residual Certificates which would not be required were the relevant Residual Certificates in definitive registered form.

If Definitive Residual Certificates are issued in respect of Residual Certificates originally represented by a Global Residual Certificate, the beneficial interests represented by such Global Residual Certificate shall be exchanged by the Issuer for the relevant Residual Certificates in registered definitive form.

Registered Definitive Residual Certificates will be serially numbered and will be issued in registered form only.

References to Residual Certificates in these Residual Certificates Conditions shall include the Global Residual Certificates and the Registered Definitive Residual Certificates.

## 2.2 **Title**

Title to the Global Residual Certificates shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Residual Certificate may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Residual Certificate regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Registered Definitive Residual Certificates may be transferred upon the surrender of the relevant Registered Definitive Residual Certificate, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of Registered Definitive Residual Certificates are subject to any restrictions on transfer set forth on the Registered Definitive Residual Certificates and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Residual Certificate to be issued upon transfer of such Registered Definitive Residual Certificate will, within five Business Days of receipt and surrender of such Registered Definitive Residual Certificate (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Residual Certificate to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Residual Certificate on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity and/or security and/or prefunding as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

The Residual Certificates are not issuable in bearer form.

## 3. **STATUS AND SECURITY**

### 3.1 **Status of the Residual Certificates**

- (a) The Principal Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 10 (*Enforcement*))

unconditional obligations of the Issuer to pay Deferred Consideration for the purchase of the Portfolio, consisting of the Principal Residual Payments to the Principal Residual Certificateholders from time to time. The Principal Residual Certificates rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payments on the Principal Residual Certificates. Payments of principal on the Notes will at all times rank in priority to payments on the Principal Residual Certificates.

- (b) The Revenue Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 10 (*Enforcement*)) unconditional obligations of the Issuer to pay Deferred Consideration for the purchase of the Portfolio, consisting of the Revenue Residual Payments to the Revenue Residual Certificateholders from time to time. The Revenue Residual Certificates rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payments on the Revenue Residual Certificates. Payments of interest on the Notes will at all times rank in priority to payments on the Revenue Residual Certificates.
- (c) The Trust Deed also contains provisions requiring the Note Trustee to have regard to the interests of the Residual Certificateholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee but requiring the Note Trustee in any such case to have regard only to the interests of the Noteholders for so long as there are any Notes outstanding, **provided that**, the Note Trustee in its sole opinion shall have regard to the interests of only the Principal Residual Certificateholders if, (for so long as there are any Principal Residual Certificates outstanding), in the Note Trustee's opinion, there is a conflict between the interests of the Principal Residual Certificateholders and the Revenue Residual Certificateholders.

### 3.2 Security

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Certificateholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Certificateholders 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.

## 4. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Residual Certificate remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985

and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;

- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (d) **Equitable Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Deposit Accounts, unless such account or interest therein is charged to the Security Trustee for itself and on trust for the other Secured Creditors on terms acceptable to the Security Trustee;
- (j) **Purchase Residual Certificates:** purchase or otherwise acquire any Residual Certificates; or
- (k) **US activities:** engage in any activities in the United States (directly or through agents), derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

## 5. RESIDUAL PAYMENTS

### 5.1 Right to Residual Payments

Each Principal Residual Certificate represents a *pro rata* entitlement to receive Principal Residual Payments, being payments of Deferred Consideration for the purchase of the

Portfolio, payable to the Principal Residual Certificateholders from time to time. Each Revenue Residual Certificate represents a *pro rata* entitlement to receive Revenue Residual Payments, being payments of Deferred Consideration for the purchase of the Portfolio, payable to the Revenue Residual Certificateholders from time to time.

## 5.2 Payment

Residual Payments will be payable on the Interest Payment Dates, determined in accordance with the Conditions of the Notes, subject to such Interest Payment Date not falling within a Determination Period (as determined in accordance with the Conditions of the Notes) (in which event, no Residual Payments will be payable in respect of the Residual Certificates).

In these Residual Certificates Conditions:

- (a) **"Interest Payment Date"** means, each date determined as an Interest Payment Date in accordance with the Conditions of the Notes.
- (b) **"Principal Residual Payment"** means a payment by the Issuer to the Principal Residual Certificateholders at the relevant time of Deferred Consideration of:
  - (i) prior to the delivery of a Note Acceleration Notice, for an Interest Payment Date, the amount by which the Available Principal Receipts exceeds the amounts required to satisfy items (a) to (p) of the Pre-Acceleration Principal Priority of Payments; and
  - (ii) following the delivery of a Note Acceleration Notice, for any date on which amounts are to be applied in accordance with the Post-Acceleration Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Acceleration Priority of Payments exceeds the amounts required to satisfy items (a) to (m) of the Post-Acceleration Priority of Payments on that date, provided that the aggregate Principal Residual Payments paid pursuant to this sub-paragraph shall not exceed an amount equal to the PRC Overcollateralisation Amount *less* the aggregate amount of (i) all payments in respect of the Principal Residual Certificates which have been made since the Closing Date and (ii) any debit balance on the Principal Residual Certificate Principal Deficiency Ledger, subject always to a floor of zero.
- (c) **"Principal Residual Payment Amount"** means for each Principal Residual Certificate on any date on which amounts are to be applied in accordance with the relevant Priority of Payments, the Principal Residual Payment for that date, divided by 10,000.
- (d) **"Revenue Residual Payment"** means a payment by the Issuer to the Revenue Residual Certificateholders at the relevant time of Deferred Consideration of:
  - (i) prior to the delivery of a Note Acceleration Notice, for an Interest Payment Date, the amount by which Available Revenue Receipts exceeds the amounts required to satisfy items (a) to (p) of the Revenue Priority of Payments on that Interest Payment Date; and
  - (ii) following the delivery of a Note Acceleration Notice, for any date on which amounts are to be applied in accordance with the Post-Acceleration Priority of Payments, the amount by which amounts available for payment in

accordance with the Post-Acceleration Priority of Payments exceeds the amounts required to satisfy items (a) to (o) of the Post-Acceleration Priority of Payments on that date.

- (e) **"Revenue Residual Payment Amount"** means for each Revenue Residual Certificate on any date on which amounts are to be applied in accordance with the relevant Priority of Payments, the Revenue Residual Payment for that date, divided by 10,000.
- (f) **"Residual Payment"** means a Principal Residual Payment or a Revenue Residual Payment as the context may require.
- (g) **"Residual Payment Amount"** means for each Residual Certificate on any date on which amounts are to be applied in accordance with the relevant Priority of Payments, the Residual Payment for that date, divided by 10,000.

### 5.3 **Determination of Residual Payment**

The Cash Manager shall, as soon as practicable after 11.00 a.m. (London time) on each Calculation Date occurring immediately prior to an Interest Payment Date but in no event later than the third Business Day thereafter, determine the Principal Residual Payment and Revenue Residual Payment, in respect of each Residual Certificate, the Principal Residual Payment Amount and Revenue Residual Payment Amount as applicable.

### 5.4 **Publication of Residual Payment and Residual Payment Amount**

The Cash Manager shall cause each Residual Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with Residual Certificates Condition 14 (*Notice to Certificateholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. Each Residual Payment and Residual Payment Amount 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.

### 5.5 **Determination by the Note Trustee**

The Note Trustee may, without liability therefor, if the Cash Manager defaults at any time in its obligation to determine the Residual Payments and Residual Payment Amounts (if any) in accordance with the above provisions and the Note Trustee has been notified of this default, determine or cause to be determined the Residual Payments and Residual Payment Amounts (if any), in the manner provided in this Residual Certificates Condition 5. Any such determination shall be deemed to be determinations made by the Cash Manager.

### 5.6 **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 Residual Certificates Condition 5, whether by the Cash Manager or the Note Trustee, will (in the absence of manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Registrar the Paying Agents and all Certificateholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Certificateholders shall attach to the Cash Manager, the Registrar 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 Residual Certificates Condition 5.

#### 5.7 **Termination of Payments and cancellation of Residual Certificates**

Following the redemption in full of the Notes and the realisation of the Charged Property, and payment of the proceeds on accordance with the relevant Priority of Payments, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be cancelled.

### 6. **PAYMENTS**

#### 6.1 **Payment of Residual Payment Amounts**

Payments of the Principal Residual Payment Amount and Revenue Residual Payment Amount shall be made upon application by the relevant Certificateholder to the specified office of the Principal Paying Agent not later than the 15<sup>th</sup> day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London.

#### 6.2 **Laws and Regulations**

Payments of Residual Payment Amounts are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. Certificateholders will not be charged commissions or expenses on payments.

#### 6.3 **Change of Paying Agents**

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 or the Registrar 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, and a person appointed to perform the obligations of the Registrar with a specified office in Luxembourg or in London.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Certificateholders in accordance with Residual Certificates Condition 14 (*Notice to Certificateholders*) and will notify the Rating Agencies of such change or addition.

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

If the date for payment of any amount in respect of a Residual Certificate is not a Presentation Date, Certificateholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Residual Certificates Condition 6.4, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.



## 7. TAXATION

All payments of Residual Payment Amounts 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 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 any Paying Agent nor any other person shall be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction.

## 8. PRESCRIPTION

Claims in respect of Residual Payment Amounts will be prescribed after five years from the Relevant Date in respect of the relevant payment.

In this Residual Certificates Condition 8, 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 Certificateholders in accordance with Residual Certificates Condition 14 (*Notice to Certificateholders*).

## 9. EVENTS OF DEFAULT

### 9.1 Residual Certificates

Provided all of the Notes have been redeemed in full, the Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. of the of the Most Senior Class of Residual Certificates then outstanding or if so directed by an Extraordinary Resolution of the of the Most Senior Class of Residual Certificates then outstanding shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction) give a notice (a "**Note Acceleration Notice**") to the Issuer that any Residual Payments pursuant to the Residual Certificates of all Classes are immediately due and payable if any of the following events (each, an "**Event of Default**") occur:

- (a) if default is made in the payment of any amount due in respect of the Residual Certificates and the default continues for a period of 14 days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Residual Certificates Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 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 any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Most Senior Class; or

- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Most Senior Class, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

## 9.2 **General**

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Residual Certificates Condition 9.1 (*Residual Certificates*), any Residual Payments pursuant to the Residual Certificates shall thereby immediately become due and payable.

## 10. **ENFORCEMENT**

### 10.1 **General**

The Note Trustee may, at any time, at its discretion and without notice, take such proceedings (including lodging an appeal in any proceedings), actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes, the Residual Certificates or the Trust Deed (including the Conditions or these Residual Certificates Conditions) or any of the other Transaction Documents to which it is a party or, for as long as any Notes or Residual Certificates are outstanding, direct the Security Trustee to enforce the Security in accordance with the terms of the Deed of Charge. However the Note Trustee and the Security Trustee (as applicable) shall not be bound to take any such proceedings, action or steps, and the Security Trustee shall not be bound to act on any such direction or instruction, unless:

- (a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking Class or Classes of Noteholders or Certificateholders (including the provisions set out in Clause 13 (*Action, Proceedings and Indemnification*) and Schedule 7 (*Provisions for Meetings of Noteholders and Certificateholders to the Trust Deed*) to the Trust Deed), the Note Trustee shall have been so directed (or the Note Trustee shall have been directed to direct the Security Trustee) by an Extraordinary Resolution of the holders of the Most Senior Class of Residual Certificates or directed in writing by the holders of at least 25 per cent. in number of the Residual Certificates; and
- (b) in all cases, it and the Security Trustee (as applicable) shall have been indemnified and/or prefunded and/or secured to their respective satisfaction.

No Certificateholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing. Any proceeds received by a Certificateholder pursuant to any such proceedings shall be paid promptly following receipt thereof to the Note Trustee (for application pursuant to the Priorities of Payment).

## 10.2 **Limitations on Enforcement**

No Certificateholder shall be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.

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

## 10.3 **Limited Recourse**

If at any time following:

- (a) the occurrence of either:
  - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or
  - (ii) the service of a Note Acceleration Notice; and
- (b) realisation of the Charged Property and application in full of any amounts available to pay amounts outstanding under the Residual Certificates (including Residual Payments),

the proceeds of such Realisation are insufficient, after the same have been allocated in accordance with the applicable Priority of Payments, to pay all amounts outstanding under the Residual Certificates (including Residual Payments) then due and payable then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (b) above) shall, on the day following such application in full of the amounts referred to in paragraph (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 10:

**"Realisation"** means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Relevant Documents) of proceeds from

or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

"**Charged Property**" means the property of the Issuer which is subject to the Security.

## **11. MEETINGS OF CERTIFICATEHOLDERS AND NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

11.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class, and the Certificateholders 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, the Residual Certificates Conditions or the provisions of any of the Transaction Documents.

For the purposes of these Residual Certificates Conditions, "**Most Senior Class**" means:

- (a) the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class B Notes then outstanding, the Class C Notes or, if there are no Class C Notes then outstanding, the Class D Notes or, if there are no Class D Notes outstanding, the Class E Notes or, if there are no Class E Notes outstanding, the Class F Notes; and
- (b) if there are no Notes outstanding, the Principal Residual Certificates or, if there are no Principal Residual Certificates then outstanding, the Revenue Residual Certificates.

### **11.2 Most Senior Class of Notes, Limitations on other Noteholders and Certificateholders**

Other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of each of the relevant affected Classes of Notes and/or the Residual Certificates passed at separate meetings of the holders of such classes and/or such Residual Certificates:

- (a) A resolution (including an Extraordinary Resolution) passed at any meeting of the Most Senior Class of Noteholders shall be binding on all other Classes of Notes and the Residual Certificates irrespective of the effect it has upon them.
- (b) A resolution (including an Extraordinary Resolution) passed at any meeting of a relevant Class of Noteholders shall be binding on (i) all other Classes of Noteholders ranking junior to such Class of Noteholders in the Priorities of Payments in each case and (ii) the Residual Certificates, in each case irrespective of the effect it has upon them.
- (c) A resolution (including an Extraordinary Resolution) passed at any meeting of Principal Residual Certificateholders shall be binding on the Revenue Residual Certificateholders.
- (d) No resolution or Extraordinary Resolution of any other Class of Noteholders or the Certificateholders shall take effect for any purpose while any of the Most Senior Class Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Most Senior Class of Noteholders or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Most Senior Class of Noteholders.

### **11.3 Quorum**

- (a) Subject as provided below, the quorum at any meeting of Certificateholders of any Class or Classes for passing an Extraordinary Resolution will be one or more persons present and holding or representing not less than 50% of the number of Residual Certificates of the relevant Class or Classes then outstanding.
- (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes of Notes or holders of any Class or Classes of Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, (iii) sanction a modification the date of payment of Residual Payments in respect of the Residual Certificates, or where applicable, or of the method of calculating the date of payment in respect of the Residual Certificates, (iv) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes (for these purposes, any modification made in accordance with Residual Certificates Condition 11.14 (*Additional Right of Modification*) shall not be a Basic Terms Modification), (v) sanction a modification of the definitions of Residual Payment or Residual Payment Amount (including, in relation to any Class of Notes or Residual Certificates, if any such modification is proposed for any Class of Notes senior to such Class or the Residual Certificates) (iv) alter the currency in which payments under the Notes or Residual Certificates are to be made, (vi) alter the quorum or majority required in relation to any Extraordinary Resolution or Ordinary Resolution, (vii) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (viii) alter the definition of outstanding (as defined in the Master Definitions and Construction Schedule), or (ix) alter any of the provisions contained in this exception but, for the avoidance of doubt, excluding any modification or amendment made in accordance with Residual Certificates Condition 11.14(e)(*Additional Right of Modification*)] (*Additional Right of Modification*) (each a "**Basic Terms Modification**") shall be one or more persons present and holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes or one or more persons present and holding or representing in the aggregate not less than three-quarters of the number of Residual Certificates of the relevant Class or Classes then outstanding. The quorum at any adjourned meeting shall be one or more persons present and holding or representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or present and holding or representing not less than 10 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable, for transaction of business including the passing of an Ordinary Resolution. The quorum at any adjourned meeting for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons present and holding or representing in the aggregate not less than 25 per cent. of the aggregate in Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or present and holding or representing not less than 25 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. The quorum at any adjourned meeting for passing a Basic Terms Modification shall be one or more persons present and holding or representing in the aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or present and holding or representing not less than 50 per cent. of the number of the relevant Class or Classes of Residual Certificates then outstanding, as applicable. Any

Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at separate meetings of each Class of Noteholders or Class of Certificateholders, if so affected. The Trust Deed contains similar provisions in relation to directions in writing from the Noteholders upon which the Note Trustee is bound to act.

11.4 Subject to Residual Certificates Condition 11.13 (*Mandatory consents*), the Note Trustee may from time to time and at any time, only with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents and in respect of any modification in connection with the Deed Poll and the Portfolio Option granted therein, with the written consent of the Portfolio Option Holder, and without the consent or sanction of the Noteholders or Certificateholders or any other Secured Creditors, concur with the Issuer or any other person or (for as long as there are any Residual Certificates outstanding) instruct the Security Trustee to concur with the Issuer or any other person, in making or sanctioning any modification:

- (a) (except in the case of a Basic Terms Modification) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document (for these purposes, any modification made in accordance with Condition 11.14 shall not be a Basic Terms Modification), which in the opinion of the Note Trustee will not be materially prejudicial to the interests of the holders of the Most Senior Class; or
- (b) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.

The Note Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee, as applicable, would have the effect of (a) exposing the Note Trustee or the Security Trustee, as applicable, to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights, powers, authorities, indemnification or protections, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions and/or these Residual Certificates Conditions.

11.5 The Note Trustee may also without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors (but without affecting the rights of such other Secured Creditors under the Transaction Documents) and without prejudice to its rights in respect of any subsequent breach or Event of Default at any time and from time to time but only if and in so far as in the sole opinion of the Note Trustee (acting in accordance with the Trust Deed) the interests of the Most Senior Class shall not be materially prejudiced thereby waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in the Trust Deed or any other Transaction Document or determine that any Event of Default shall not be treated as such (and so long as there are any Residual Certificates outstanding direct the Security Trustee to do any of the foregoing) provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class or by a direction under Condition 10 (*Events of Default*) or Residual Certificates Condition 9 (*Events of Default*)) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

11.6 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Certificateholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to

the Noteholders and the Certificateholders as soon as practicable thereafter in accordance with Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*).

- 11.7 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 11.8 In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee may also agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors, to a change of the laws governing the Notes, the Conditions, the Residual Certificates, these Residual Certificates Conditions and/or any of the Transaction Documents, (and in the case of the Deed Poll and the Portfolio Option granted therein, with the consent of the Portfolio Option Holder), provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, be materially prejudicial to the interests of the Noteholders of any Class, or Certificateholders of any Class or the other Secured Creditors.
- 11.9 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 Residual Certificates 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 Certificateholders, it shall have regard to the general interests of the Certificateholders but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Certificateholders (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 Certificateholders 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 Certificateholders.
- 11.10 **"Extraordinary Resolution" means in respect of any Class of the Certificateholders:**
- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions, by a majority consisting of persons present and holding or representing in the aggregate not less than three quarters of the number of Residual Certificates of such Class then outstanding and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or
  - (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than three-quarters of the number of Residual Certificates of such Class 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 Certificateholders.
- 11.11 **"Ordinary Resolution" means in respect of any Class of the Certificateholders:**
- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by a clear majority of the persons eligible to attend and vote at such meeting voting thereat on a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll; or

- (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than a clear majority in number of the relevant Class of Residual Certificates 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 Certificateholders;

#### 11.12 Issuer Substitution Condition

The Note Trustee may concur, with the Issuer to any substitution under the Conditions, these Residual Certificates Conditions and subject to such amendment of the Conditions, these Residual Certificates Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders or the Certificateholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Residual Certificates and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes and the Residual Certificates are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Residual Certificates Condition 4 (*Covenants*). In the case of a substitution pursuant to the Conditions or this Residual Certificates Condition 11.12, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders or the Certificateholders, to a change in law governing the Note, the Residual Certificates and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders of any Class or the Certificateholders of any Class.

#### 11.13 Mandatory consents

Without prejudice to the provisions of Residual Certificates Conditions 11.14 (*Additional Right of Modification*) and 11.5 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*), the Issuer, Servicer or the Cash Manager (each a "**Requesting Party**") may, at any time during the term of the Trust Deed, request that the Note Trustee agree and/or (for as long as any Residual Certificates remain outstanding) direct the Security Trustee to agree amendments to or waivers in respect of any Transaction Documents, enter into new Transaction Documents or consent to any other relevant party doing so (as the case may be) to effect the closure of the Collection Accounts held with the Collection Account Bank, the appointment of an alternative bank (which may or may not be the Co-operative Bank p.l.c.) as the replacement collection account bank (the "**Replacement Collection Account Bank**"), the opening of one or more replacement collection accounts with the Replacement Collection Account Bank (each a "**Replacement Collection Account**"), the transfer of any monies from the Collection Accounts to a Replacement Collection Account and the entry into of all related documentation (including any declaration of trust over the Replacement Collection Account) (the "**Transaction Amendments**"), irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class, any Certificateholder, any other Secured Party or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (if directed by the Note Trustee) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders, the Certificateholders or any other



Secured Creditors if the Amendment Conditions are satisfied. "**Amendment Conditions**", means:

- (a) the Replacement Collection Account Bank meets the Collection Account Rating Agency Required Ratings;
- (b) confirmation in writing from the relevant Requesting Party to the Note Trustee and the Security Trustee (as applicable) that DBRS and any other Rating Agency not included in the definition of Collection Account Rating Agency Required Ratings have been given at least 15 days' notice of such proposed Transaction Amendments and have not raised any objections thereto;
- (c) confirmation in writing from the relevant Requesting Party to the Note Trustee and the Security Trustee (as applicable) that none of the Priorities of Payments will be amended as a result of such Transaction Amendments; and
- (d) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, have the effect of (i) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the Note Trustee or the Security Trustee or (ii) exposing the Note Trustee or the Security Trustee to any liability which it has not been indemnified and/or secured and/or prefunded to the Note Trustee's or Security Trustee's satisfaction.

For the avoidance of doubt and 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 (or, where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document, providing their consent in respect of) such Transaction Amendments. Each of them shall rely without liability and without investigation on any confirmation provided to it in connection with the Transaction Amendments and shall not monitor or investigate whether the Issuer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be) is acting in a commercially reasonable manner, nor shall either of them be responsible for any liability that may be occasioned to any person by acting in accordance with these provisions based on any written notification or confirmation it receives from the Issuer or the Cash Manager (in its capacity as the Requesting Party, where applicable) (as the case may be).

Reference in this Residual Certificates Condition 11.13 to a confirmation in writing of a Requesting Party shall be to a written confirmation signed by, in the case of the Issuer, two directors thereof and in all other cases two authorised signatories of such Requesting Party.

#### 11.14 **Additional Right of Modification**

Notwithstanding any of the provisions of Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) and Residual Certificates Condition 11 (*Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution*), the Note Trustee shall be obliged, without any consent or sanction of the Noteholders, Certificateholders, or, subject to proviso (C) below, any of the other Secured Creditors, to concur with the Issuer and/or direct the Security Trustee in making any modification (other than in respect of a Basic Terms Modification (for these purposes, any modification made in accordance with this Residual Certificates Condition 11.14(f) shall not be a Basic Terms Modification)) to these Conditions or any other Transaction Document to which either the Note Trustee or the Security Trustee is a party or in relation to which the Security Trustee holds Security that the Issuer considers necessary (the "**Relevant Document**"):

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that the Issuer (or the Cash Manager on its behalf) certifies in writing to the Note Trustee and the Security Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
- (b) (I) for the purpose of complying with any changes under (i) Regulation (EU) 2017/2402 (the "**Securitisation Regulation**") after the Closing Date, including as a result of any changes as a result of the adoption of Regulatory Technical Standards in relation to the Securitisation Regulation, (ii) the CRR Amendment Regulation or (iii) any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect, or (II) for the purpose of complying with any changes in the requirements of the U.S. Risk Retention Rules, including as a result of any other U.S. risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) provides a written certificate to the Note Trustee and the Security Trustee (as applicable) certifying that such modification is required solely for such purpose and has been drafted solely to such effect;
- (c) for the purpose of enabling the Notes to be (or to remain) listed on Euronext Dublin, provided that the Issuer (or the Cash Manager on its behalf) certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purposes of enabling the Issuer or any other person that is party to a Transaction Document (a "**Transaction Party**") to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code ("**FATCA**") (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer (or the Cash Manager on its behalf) or the relevant Transaction Party, as applicable, certifies to the Note Trustee and the Security Trustee (as applicable) in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (e) for the purpose of changing the Relevant Screen Rate or the base rate that then applies in respect of the Notes to an alternative base rate (any such rate, which may include an alternative Relevant Screen Rate, an "**Alternative Base Rate**") and making such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer (or the Servicer on its behalf) to facilitate such change (a "**Base Rate Modification**"), provided that the Issuer (or the Servicer on its behalf), certifies to the Note Trustee and the Security Trustee in writing) that:
  - (i) such Base Rate Modification is being undertaken due to:
    - (A) a material disruption to LIBOR, an adverse change in the methodology of calculating LIBOR or LIBOR ceasing to exist or be published;

- (B) a public statement by the LIBOR administrator that it will cease publishing LIBOR permanently or indefinitely (in circumstances where no successor LIBOR administrator has been appointed that will continue publication of LIBOR);
  - (C) a public statement by the supervisor of the LIBOR administrator that LIBOR has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner;
  - (D) a public announcement of the permanent or indefinite discontinuation of the Relevant Screen Rate or base rate that applies to the Notes;
  - (E) public statement by the supervisor of the LIBOR administrator that means LIBOR may no longer be used or that its use is subject to restrictions or adverse consequences; or
  - (F) the reasonable expectation of the Issuer (or the Servicer on its behalf) that any of the events specified in paragraphs (ii)(A) to (E) below will occur or exist within six months of the proposed effective date of such Base Rate Modification; and
- (ii) such Alternative Base Rate is:
- (A) a base rate published, endorsed, approved or recognised by the Federal Reserve or the Bank of England, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Notes are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing);
  - (B) the Sterling Over Night Index Average or the Broad Treasuries Repo Financing Rate (or any rate which is derived from, based upon or otherwise similar to either of the foregoing);
  - (C) a base rate utilised in a material number of publicly-listed new issues of Sterling-denominated asset backed floating rate notes prior to the effective date of such Base Rate Modification;
  - (D) a base rate utilised in a publicly-listed new issue of Sterling-denominated asset backed floating rate notes where the originator of the relevant assets is the Seller or an Affiliate thereof; or
  - (E) such other base rate as the Servicer (on behalf of the Issuer) reasonably determines,

and in each case, the change to the Alternative Base Rate will not, in its opinion, be materially prejudicial to the interest of the Noteholders and the Certificateholders; and

For the avoidance of doubt, the Issuer (or the Servicer on its behalf) may propose an Alternative Base Rate on more than one occasion provided that the conditions set out in this Residual Certificates Condition 11.14(e) are satisfied;

(the certificate to be provided by the Issuer (or the Cash Manager on its behalf) or the relevant Transaction Party, as the case may be, pursuant to Residual Certificates Conditions 11.14(a) to (e) being a "**Modification Certificate**"), (upon which the Note Trustee and the Security Trustee may rely absolutely and without further enquiry or liability to any person for so doing), provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee;
- (B) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee both at the time the Note Trustee and the Security Trustee is notified of the proposed modification and on the date that such modification takes effect;
- (C) the prior written consent of each Secured Creditor (other than any Noteholder and Certificateholder) which is party to the Relevant Document (and in respect of any modification in connection with the Deed Poll and the Portfolio Option granted therein, with the written consent of the Portfolio Option Holder) has been obtained;
- (D) either:
  - (1) the Issuer (or the Cash Manager on its behalf) obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); or
  - (2) the Issuer (or the Cash Manager on its behalf) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and
- (E) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class and the Certificateholders of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and Residual Certificates Condition 14 (*Notice to Certificateholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes; and
- (F) (1) in any case other in respect of any proposed modification under Residual Certificates Condition 11.14(e), Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding or if no Notes are outstanding, Certificateholders representing at least 10 per cent. in number of the most senior Class of Residual Certificates then outstanding have not contacted the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or (as applicable) Residual Certificates may be held) within such

notification period notifying the Principal Paying Agent or the Issuer that such Noteholders object to the modification; or

- (2) in respect of any proposed modification under Residual Certificates Condition 11.14(e), the Certificateholders have expressly consented to such proposed modification and the Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or (as applicable) the Residual Certificates may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders object to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding, or if no Notes are outstanding, Certificateholders representing at least 10 per cent. of the number of the most senior Class of Residual Certificates then outstanding have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes or Residual Certificates may be held) within the notification period referred to above that they object to the modification, then such modification will not be made unless an Extraordinary Resolution of the Most Senior Class then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes, or the Certificateholder's holding of the Residual Certificates.

Where such Noteholders have not so notified the Principal Paying Agent or Issuer of such objection, or an Extraordinary Resolution of the Most Senior Class of Residual Certificates then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*), then the Note Trustee shall be obliged to agree to the modification and such modification will be made.

When implementing any modification pursuant to this Residual Certificates Condition 11.14 (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee or the Security Trustee shall not consider the interests of the Noteholders, Certificateholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Residual Certificates Condition 11.14 and shall not be liable to the Noteholders, Certificateholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person.

The Note Trustee (or as the case may be, the Security Trustee) shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee (or as the case may be, the Security Trustee) would have the effect of (i) exposing the Note Trustee (or as the case may be, the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations, liabilities or duties, or decreasing the protections, rights, powers, authorisations or indemnification of the

Note Trustee (or as the case may be, the Security Trustee) in the Relevant Documents and/or these Residual Certificates Conditions.

Any such modification shall be binding on all Noteholders and Certificateholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (a) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (b) the Secured Creditors;
- (c) the Noteholders in accordance with Condition 15 (*Notice to Noteholders*); and
- (d) the Certificateholders in accordance with Residual Certificates Condition 14 (*Notice to Certificateholders*).

## **12. 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 action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured 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 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, (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 Certificateholders 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.

## **13. REPLACEMENT OF RESIDUAL CERTIFICATES**

If any Residual Certificate is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Residual Certificate 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 Residual Certificate must be surrendered before a new one will be issued.

## **14. NOTICE TO CERTIFICATEHOLDERS**

### **14.1 Publication of Notice**

- (a) Whilst the Residual Certificates are represented by Global Residual Certificates, notices to Certificateholders will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Certificateholders. Any notice delivered to Euroclear

and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

- (b) In respect of Residual Certificates issued in definitive form, notices to Certificateholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.

#### 14.2 **Note Trustee's Discretion to Select Alternative Method**

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Certificateholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the quotation systems on or by which the Residual Certificates are then quoted and/or traded and provided that notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall require.

### 15. **REPLACEMENT RESIDUAL CERTIFICATES**

If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is satisfied, the Issuer may, without the consent of the Certificateholders, issue replacement residual certificates ("**Replacement Residual Certificates**") to replace the Residual Certificates, which shall have terms and conditions which may differ from the terms and conditions of the Residual Certificates which it replaces.

### 16. **GOVERNING LAW**

The Trust Deed, the Deed of Charge, the Residual Certificates and these Residual Certificates Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law (other than certain supplemental security documents to be granted pursuant to the Deed of Charge which will be governed by and shall be construed in accordance with Scots law).

### 17. **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 Residual Certificates or these Residual Certificates Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's understanding of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current United Kingdom law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom. The Residual Certificates are not considered below.*

### **UK Withholding Tax - Payments 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 such Notes carry a right to interest and are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 ("ITA 2007") or are admitted to trading on a multilateral trading facility operated by an EEA-regulated recognised stock exchange within the meaning of section 987 ITA 2007. Euronext Dublin is a recognised stock exchange. The Notes will satisfy the requirement to be listed on a recognised stock exchange if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on Euronext Dublin. Therefore, in the case of Notes that carry a right to interest, interest on those Notes will be payable without deduction of or withholding on account of United Kingdom income tax provided that they are and remain so listed on a "recognised stock exchange".

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), subject to any available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to that 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).

### **Other Rules Relating to United Kingdom Withholding Tax**

1. Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned.
2. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.



3. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.
4. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer pursuant to Condition 12.13 (*Issuer Substitution Condition*) of the Notes or otherwise and does not consider the tax consequences of any such substitution.

## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion addresses certain U.S. federal income tax considerations of acquiring, holding and disposing of the Notes.

This discussion does not address all aspects of U.S. federal tax law. In particular, except as specifically indicated in this discussion, it addresses only the tax consequences to U.S. Holders and Non-U.S. Holders (each as defined below) that purchase Notes in the original offering at their original issue price and hold Notes as capital assets for federal income tax purposes. It does not address special U.S. federal income tax considerations that may be relevant to particular investors in light of their individual investment circumstances or to certain types of investors subject to special tax rules – such as, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, tax-exempt entities, dealers or traders in securities or currencies, U.S. expatriates, investors holding Notes as part of a conversion transaction, hedge, integrated transaction, constructive sale transaction or as a position in a straddle for tax purposes, or persons whose functional currency, for U.S. federal income tax purposes, is not the U.S. dollar. This discussion does not address alternative minimum tax consequences, the Medicare tax on net investment income, special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account on an applicable financial statement, or any tax considerations specific to holders of Notes. In addition, this discussion does not address any state, local, non-U.S. or other tax considerations.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), the U.S. Treasury regulations promulgated thereunder and administrative and judicial authorities, all as in effect on the date of this Prospectus and all of which are subject to change, possibly on a retroactive basis. There are no authorities directly addressing instruments substantially identical to the Notes and the transactions associated with this offering and no ruling on any of the consequences or issues discussed below will be sought from the U.S. Internal Revenue Service (the "**IRS**") in connection with this offering. Prospective investors are urged to consult their own tax advisers about the U.S. federal income tax consequences of an investment in the Notes, as well as the treatment of the investment under the laws of any state, local or non-U.S. taxing jurisdictions, in light of their particular circumstances.

For the purposes of this discussion, a "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes:

- (a) an individual who is a citizen or resident of the United States;
- (b) a corporation, or other entity treated as a corporation, created in or under the laws of the United States, any state, any political subdivision of any state or the District of Columbia;
- (c) an estate whose income is includible in gross income for U.S. federal income tax purposes without regard to source; or
- (d) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States Persons (as defined in the Code) have the authority to control all substantial decisions of the trust.

A "**Non-U.S. Holder**" is any beneficial owner of a Note that is neither a U.S. Holder nor person treated as a partnership for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes invests in the Notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership.

## **Tax Treatment of the Notes**

The Issuer will treat the Notes as indebtedness for U.S. federal income tax purposes. Each United States holder of a Note, by acceptance of such Note, will agree to treat such Note as indebtedness for U.S. federal income tax purposes unless required otherwise by law. Although there is no authority regarding the treatment of instruments that are substantially similar to the Notes, upon issuance of the Notes, Allen & Overy LLP will deliver an opinion that the Class A Notes, Class B Notes, Class C Notes and the Class D Notes will be treated as debt for U.S. federal income tax purposes. No opinion will be provided in respect of the Class E Notes and the Class F Notes, although the Issuer will treat the Class E Notes and the Class F Notes as indebtedness for U.S. federal income tax purposes. This opinion is not binding on the IRS, and no assurance can be given that the characterisation of the Notes as indebtedness will prevail if the issue were challenged by the IRS. In particular, there can be no assurances that the IRS would not contend, and that a court would not ultimately hold, that the Notes constitute equity of the Issuer. In general, the characterisation of an instrument for such purposes as debt or equity by its issuer as of the time of issuance is binding on a holder, unless the holder takes an inconsistent position and discloses such position in its tax return. Prospective United States holders of the Notes should consult with their own tax advisers as to the effect of a recharacterisation of the Notes as equity interests in the Issuer.

Notes that are classified as debt for U.S. federal income tax purposes will be subject to the rules discussed under "*Tax Treatment of Notes Classified as Debt*" below. Notes that are classified as equity for U.S. federal income tax purposes will be subject to the rules discussed under "*Tax Treatment of Notes Classified as Debt*" below. An investment in Notes classified as equity in the Issuer for U.S. federal income tax purposes may have materially adverse tax consequences for U.S. Holders. Prospective investors should consult with their own tax advisers as to the possibility of recharacterisation of the Notes treated by the Issuer as debt for U.S. federal income tax purposes as equity interests in the Issuer and the impact in their particular circumstances were this to happen.

**Base Rate Modification.** The Issuer may enter into one or more supplemental trust deeds to effect a Base Rate Modification. It is possible that a Base Rate Modification will be treated as a deemed exchange of old notes for new notes, which may be taxable to U.S. Holders. U.S. Holders should consult with their own tax advisors regarding potential consequences of a Base Rate Modification.

## **Tax Treatment of Notes Classified as Debt**

**Payments of Interest.** Subject to the discussion about Notes treated as having been issued with original issue discount ("**OID**") for U.S. federal income tax purposes described below, interest on the Notes will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

The amount of interest paid with respect to a Note that is includible in income by a U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes is the U.S. dollar value of the amount paid translated at the spot rate of exchange on the date such payment is received by such U.S. Holder.

A class of Notes may be issued with more than a *de minimis* amount of OID. In general, OID is the excess of the stated redemption price at maturity of a debt instrument over its issue price, unless that excess falls within a statutorily defined *de minimis* exception. The issue price for the Notes is the price at which a substantial portion of the relevant class of Notes are first sold to the public. In general, the stated redemption price at maturity of a note is the sum of all payments made on the note other than payments of "qualified stated interest". Qualified stated interest is interest that (i) is payable at least annually over the entire life of the note and (ii) is based on a single fixed rate or a qualifying variable rate – or certain combinations of fixed and qualifying variable rates. Stated interest on the Notes is expected to be qualified stated interest. It is possible that the IRS could take the position that

no interest payments on some or all Notes that provide for the possibility of Deferred Interest are qualified stated interest. If the deferral of an interest payment actually occurs with respect to a series of Notes, solely for purposes of the OID rules, those Notes would be treated as retired and reissued at a price equal to their fair market value at that time and the remaining interest payments would likely not be considered qualified stated interest in which case they would be added to the principal amount for purposes of determining the stated redemption price at maturity and OID on the Notes.

If a class of Notes were treated as being issued with OID, it is expected that a U.S. Holder of such Notes would be required to include OID in income as interest over the term of such Note under a constant yield method using a "reasonable prepayment assumption" pursuant to the OID rules. To date, the IRS has not issued any guidance clarifying how a reasonable prepayment assumption should be determined. In general, OID must be included in income in advance of the receipt of cash representing that income. Thus, each cash payment would be treated as an amount already included in income, to the extent OID has accrued as of the date of payment. If any stated interest were required to be accrued under the OID rules, this treatment should have no significant effect on U.S. Holders using the accrual method of accounting (except to require the accrual of any discount on the Notes even if it would otherwise be considered *de minimis*). However, cash method U.S. Holders would be required to report such stated interest income on the Notes in advance of the receipt of cash attributable to that income. Under these rules, a U.S. Holder must include that discount in income (as gain on sale) proportionately as principal payments are made on such Notes. Prospective investors should consult their tax advisors as to the operation of these rules.

In the case of interest on a Note held by a U.S. holder that uses the accrual method of accounting, and a U.S. Holder of a Note that bears OID, regardless of the method of accounting used, such U.S. Holder is required to include the U.S. dollar value of such interest income that accrued during the relevant accrual period. The U.S. dollar value of such accrued interest income generally is determined by translating such interest income at the average rate of exchange for such accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year). Alternatively, such U.S. Holder may elect to translate such interest income at the spot rate of exchange on the last day of such accrual period (or, with respect to an accrual period that spans two taxable years, the partial period within the taxable year). If the last day of an accrual period is within five business days of receipt of the payment in respect of the related accrued interest, a U.S. Holder that has made such election may translate such accrued interest using the spot rate of exchange on the date of receipt of such payment. The above election will apply to all debt obligations held by such U.S. Holder and may not be changed without the consent of the IRS. A U.S. Holder generally will recognize foreign currency exchange gain or loss with respect to such accrued interest income or OID on the date the payment in respect of such interest income is received if there is any difference between the rate of exchange used to determine such interest income and the rate of exchange on the date such payment is received.

Interest payments on a Note generally will constitute foreign source income for U.S. federal income tax purposes, while any foreign currency exchange gain or loss generally will be treated as ordinary income or loss from sources within the United States. Subject to generally applicable limitations and restrictions, any non-U.S. withholding tax imposed on interest payments may give rise to a tax credit or deduction for U.S. Holders. These rules are particularly complex and prospective investors should consult their own tax advisers concerning the application of these rules to their particular circumstances.

***Disposition or Retirement.*** Upon the sale, exchange or retirement of a Note – including pursuant to a redemption by the Issuer prior to its maturity date – a U.S. Holder will recognise gain or loss equal to the difference between the amount realised and the U.S. Holder's adjusted tax basis in the relevant Note. The amount realised does not include any amount attributable to accrued but unpaid qualified stated interest, which will be treated like a payment of interest, discussed above. In general, a U.S.

Holder's adjusted tax basis in a Note will be equal to the U.S. Holder's cost for such debt instrument, plus any OID and less the amount of any payments received by the U.S. Holder that are not payments of qualified stated interest. The amount realised on the sale, exchange, redemption or retirement of a Note is treated as currency exchange gain or loss to the extent attributable to fluctuations in exchange rates between the time the Note was acquired and the date of disposition. This gain or loss will equal the difference between the

U.S. dollar value of the principal amount of the Notes on the date of disposition or receipt of redemption proceeds, as applicable, and the U.S. dollar value of the principal amount on the date the U.S. Holder acquired the Note. This gain or loss will be realised only to the extent of the total gain or loss realised by a U.S. Holder on the disposition or retirement of the Note and will be treated as ordinary income or loss. Gain or loss in excess of exchange gain or loss on a Note will generally be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the Note was held for more than one year. Long term capital gains of non-corporate U.S. Holders are generally taxed at preferential rates. The deductibility of capital losses is subject to limitations.

U.S. Holders should consult their own tax advisers regarding the method to measure the U.S. dollar value of payments and the treatment of foreign currency received.

### **Tax Treatment of Notes Classified as Equity**

***Investment in a Passive Foreign Investment Company.*** Because of the nature of the income of the Issuer, the Issuer will be classified as a passive foreign investment company – or "**PFIC**". Accordingly, except as provided below under "**Controlled Foreign Corporation Rules**", any Notes treated as equity will be subject to the PFIC rules discussed below.

In general, U.S. Holders treated as shareholders of a PFIC would be subject to adverse tax rules on any gain (including gain realised on a pledge of the Notes that would not otherwise be a taxable event for U.S. federal income tax purposes) and certain interest payments. Such amounts will be allocated to each day in the U.S. Holder's holding period in a Note. Amounts allocable to the year of the gain or interest payment are taxable as ordinary income and amounts allocable to prior years are subject to tax at the highest rates that could be assessed in such year against a corporate or non-corporate investor, as applicable. In addition, the tax owed on amounts allocated to a prior year are subject to an interest charge calculated from the due date for the return for such prior year until the due date of the year of the gain or interest payment. Interest payments will be subject to these rules to the extent the interest payments for a particular taxable year exceed 125 per cent. of the average amount of interest payments (or other payments treated like distributions for U.S. federal income tax purposes) received by the U.S. Holder during the prior three years (or, if shorter, over the U.S. Holder's holding period in the Notes) ("**excess distributions**"). For purposes of calculating any deemed distribution of earnings of the Issuer under the PFIC rules, the amount of such earnings is determined in the functional currency of the Issuer, and translated into U.S. Dollars at the average exchange rate for the taxable year of the Issuer. Amounts which are included in the income of the U.S. Holder upon receipt are translated into U.S. Dollars at the spot rate on the date of receipt. U.S. Holders will recognise foreign currency gain or loss attributable to fluctuations in exchange rates between the times of deemed and actual payment by the Issuer. In addition, because the Notes will pay "interest" at a floating rate, it is possible that a U.S. Holder will receive excess distributions as a result of fluctuations in such floating rate over the term of the Notes. Any such currency gain or loss will be treated for as ordinary income from the same source as the associated income inclusion.

U.S. Holders may elect to be subject to different rules, which may mitigate the consequences discussed above, if they are eligible to make either of two elections that can be made with respect to investment in certain PFICs.

The first election is to treat the Issuer as "qualified electing fund" (or "QEF"). The QEF election is available only if the Issuer makes certain information available to the relevant holders. The Issuer currently does not intend to provide such information, and so it is expected that the QEF election will not be available.

If a U.S. Holder is able to and makes a QEF election with respect to a Note with its tax return for the first taxable year in which it is a U.S. Holder, the U.S. Holder generally would be required to include its *pro rata* share of the Issuer's ordinary income and net capital gains in income for each taxable year and pay tax on it, even if such income and gain were not distributed to the U.S. Holder. In some cases, an electing U.S. Holder might be entitled to defer tax on such income or gains until the U.S. Holder receives corresponding payments, but would have to pay an interest charge on such deferred tax liabilities. Losses of the Issuer would not, however, be deductible by the U.S. Holder. If the Issuer later distributed the income or gain on which a U.S. Holder had already paid tax, the U.S. Holder would not be taxed on such payments again. A U.S. Holder's tax basis in such a note would be increased by the amounts included in income under this regime and decreased by the amount of non-taxable distributions received. In general, a U.S. Holder making a QEF election would recognize capital gain or loss on a disposition of its Notes in an amount equal to the difference, if any, between the amount realized upon such disposition and the tax basis in such Notes. Once made, a QEF election cannot be revoked without the consent of the IRS.

A second election that can sometimes be made with respect to an interest in a PFIC is a mark-to-market election. This election would be available if the Notes are regularly traded on an exchange that the IRS determined to be qualified for these purposes. Although the Issuer believes that each class of Notes will be listed on a qualified exchange, the Notes will only be considered to be regularly traded for any calendar year during which they are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. No assurance can be made, and no representation is being given, that the Notes would be eligible for the mark-to-market election.

If a U.S. Holder properly makes the "mark to market election", it would be required to recognise each year as ordinary income an amount equal to the excess, if any, of the fair market value of the Notes at the close of the year over the U.S. Holder's adjusted tax basis in the Notes. For this purpose, a U.S. Holder's adjusted basis would generally be the U.S. Holder's cost for the Notes, increased by the amount previously included in the U.S. Holder's income pursuant to this mark-to-market election and decreased by any amount previously allowed to the U.S. Holder as a deduction pursuant to this election. If, at the close of the year, the U.S. Holder's adjusted tax basis exceeded the fair market value of the Notes, then the U.S. Holder could deduct any of this excess ordinary income, but only to the extent of net mark-to-market gains previously included in income. Any gain from the actual sale of the Notes would be treated as ordinary income, and any loss would be treated as ordinary loss to the extent of net mark-to-market gains previously included in income.

Regardless of whether any election is made with respect to Notes that are treated as interests in a PFIC, a U.S. Holder would have additional U.S. tax form filing requirements as a result of the investment. Because the Issuer does not expect the QEF election to be available to an investor to mitigate the effect of the PFIC provisions, and it is unclear whether mark to market would be available either, U.S. Holders should be aware of the potentially materially adverse tax consequences arising under the PFIC provisions discussed above.

***Controlled Foreign Corporation Status.*** If a U.S. Holder is treated as owning, directly or through attribution, 10 per cent. or more of the combined voting power or value of the Issuer and 50 per cent. or more of the Issuer's combined voting power or value is treated as being owned, directly or indirectly, by U.S. Persons (as defined in the Code), the U.S. Holder would be subject to the controlled foreign corporation rules instead of the PFIC rules with respect to the Notes. Very generally, the U.S. Holder would be required to include in income its *pro rata* share of the earnings and profits of the Issuer without making any elections. It would also be subject to additional U.S. tax

form filing requirements. U.S. Holders that might be subject to these rules should consult their own tax advisers about the application to their particular circumstances.

### **Reporting Requirements**

There are a number of different reporting requirements that might apply to the acquisition, ownership and disposition of the Notes. For example, there are special reporting rules that apply to certain acquisitions of interests in non-U.S. corporations, that apply to persons deemed to be engaged in "Reportable Transactions" with respect to their investments in non-U.S. corporations and that apply to investments in PFICs and controlled foreign corporations. The penalty for failing to properly comply with these reporting requirements can be very significant and be materially adverse to an investor. U.S. Holders should consult their own tax advisers regarding any filing requirements that may be applicable to their acquisition, ownership and disposition of the Notes.

### **Non-U.S. Holders**

Subject to the discussion below under "FATCA" and "Information Reporting and Backup Withholding", payments on the Notes to a Non-U.S. Holder that provides appropriate tax certifications to the Issuer and gain realized on the sale, exchange or retirement of the Notes by the Non-U.S. Holder will not be subject to U.S. federal income or withholding tax, unless (i) such income is effectively connected with a trade or business conducted by such Non-U.S. Holder in the United States, or (ii) in the case of gain, such Non-U.S. Holder is a nonresident alien individual who holds the Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale and certain other conditions are satisfied.

### **Information Reporting and Backup Withholding**

Payments of principal, interest and accruals of OID on, and the proceeds of sale or other disposition of Notes by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to a U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments, including payments of accrued OID, if a U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding.

A Non-U.S. Holder that provides the applicable IRS Form W-8, together with all appropriate attachments, signed under penalties of perjury, identifying the Non-U.S. Holder and stating that the Non-U.S. Holder is not a United States person, will not be subject to backup withholding and generally will not be subject to IRS reporting requirements.

Any backup withholding from a payment will be allowed as a credit against a holder's U.S. federal income tax liability and may entitle such holder to a refund, provided the required information is furnished to the IRS.

## **THE FOREIGN ACCOUNT TAX COMPLIANCE ACT**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.



## CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, on entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of any Notes it may purchase.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but to which Section 4975 of the Code applies, such as individual retirement accounts and Keogh plans, including entities whose underlying assets include the assets of such plans (collectively, together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction (each, a "**prohibited transaction**"). A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Plan that is engaged in such a non-exempt prohibited transaction may be subject to penalties under ERISA and the Code.

The Issuer, the Seller, the Note Trustee, the Security Trustee, the Sole Lead Manager, the Arranger and any of their respective affiliates (each, a "**Transaction Party**") may be parties in interest and disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Notes are acquired or held by a Plan with respect to which any Transaction Party is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, in certain cases, depending in part on the type of Plan fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions with certain service providers) and Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by independent "qualified professional asset managers"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by certain "in-house asset managers"). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving Notes.

"Governmental plans" (as defined in Section 3(32) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) and certain "church plans" (as defined in Section 3(33) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to other federal, state, local or non-U.S. laws or regulations that are substantially similar to Section 406 of ERISA and/or Section 4975 of the Code ("**Similar Law**"). Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

In addition, U.S. Department of Labor regulation, 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA, the "**Plan Asset Regulation**") describes what constitutes the assets of a Plan

with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by Benefit Plan Investors is not "significant." Equity participation by Benefit Plan Investors will not be "significant" if immediately after the most recent acquisition or transfer of an equity interest in an entity, less than 25% of the total value of each class of equity interest in the entity is held by Benefit Plan Investors, excluding equity interests held by persons (other than Benefit Plan Investors) who have discretionary authority or control over the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets, and affiliates thereof. Under the Plan Asset Regulation, an "equity interest" means any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. A "**Benefit Plan Investor**" means (i) any ERISA Plan, (ii) any Plan, or (iii) any entity whose underlying assets could be deemed to include "plan assets" by reason of an ERISA Plan's or a Plan's investment in the entity under the Plan Asset Regulation. Such an entity is considered to hold plan assets only to the extent of the percentage of its equity interests held by Benefit Plan Investors.

If a class of Notes was deemed to be equity for ERISA and if participation in any class of Notes deemed to be equity under ERISA by Benefit Plan Investors was deemed to be "significant" within the meaning of the Plan Asset Regulation, the assets of the Issuer could be considered to be the assets of any Plans that purchase such Notes. In such circumstances, in addition to considering the applicability of ERISA and Section 4975 of the Code, a Plan fiduciary considering an investment in such Notes should consider, among other things, the applicability of ERISA and Section 4975 of the Code to transactions involving any Transaction Party or their respective affiliates, including whether such transactions might constitute a prohibited transaction under ERISA or Section 4975 of the Code or otherwise may result in a breach of fiduciary duty under ERISA.

While the discussion under "*Certain United States Federal Income Tax Considerations*" assumes the Class A Notes, the Class B Notes and the Class C Notes will be treated as debt for U.S. federal income tax purposes, such characterisation is not entirely clear, and no assurances can be given that the IRS would not assert, or that a court would not uphold, a different characterisation of such Notes. In addition, it is anticipated that (i) the Notes will not constitute "publicly offered securities" for purposes of the Plan Asset Regulation and (ii) the Issuer will not be an investment company registered under the Investment Company Act.

Although there is little guidance on how this definition applies, this discussion assumes that the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (such Notes, the "**ERISA-Eligible Notes**") will not be treated as equity interests in the Issuer for purposes of the Plan Asset Regulation, although no assurance can be given in this regard.

However, in an effort to avoid issues that could arise if the assets of the Issuer were to be treated as plan assets for purposes of ERISA or Section 4975 of the Code, Benefit Plan Investors will not be permitted to acquire or hold Class E Notes or Class F Notes (the "**ERISA-Restricted Notes**").

Each purchaser and subsequent transferee of any ERISA-Eligible Note (or any interest therein) will be deemed by such purchase, acquisition or holding of such Note (or any interest therein) to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquires such Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), either that (A) it is not and for so long as it holds such Note (or any interest therein) will not be (and will not be acting on behalf of) a Benefit Plan Investor or a governmental, church or non-U.S. plan subject to Similar Law, or (B) its

acquisition, holding and transfer or other disposition of such Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law).

In addition, each purchaser and subsequent transferee of any ERISA-Eligible Note (or any interest therein) that is a Benefit Plan Investor will be deemed by such purchase, acquisition or holding of such Note (or any interest therein) to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquires such Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), that (X) none of the Transaction Parties have provided any investment recommendation or investment advice to the Benefit Plan Investor or any fiduciary or other person investing the assets of the Benefit Plan Investor (a "**Plan Fiduciary**"), on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to purchase such Note (or any interest therein), (Y) the Transaction Parties are not otherwise undertaking to act as a "fiduciary", as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's purchase of such Note (or any interest therein) and (Z) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

Each purchaser and subsequent transferee of any ERISA-Restricted Note (or any interest therein) will be deemed by such purchase, acquisition or holding of any such Note (or any interest therein) to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquires such Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), either that (A) it is not and for so long as it holds such Note (or any interest therein) will not be (and will not be acting on behalf of) a Benefit Plan Investor or a governmental, church or non-U.S. plan subject to Similar Law, or (B) if it is a governmental, church or non-U.S. plan, its acquisition, holding and transfer or other disposition of such Note (or any interest therein) does not and will not violate any Similar Law.

No Transaction Party is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any of the Notes by any Benefit Plan Investor. In considering an investment in ERISA Eligible Notes, Plan fiduciaries should include consideration of their fiduciary duty under Section 404 of ERISA, which requires them to discharge their investment duties prudently and solely in the interest of the Plan participants and beneficiaries. Before authorizing an investment in ERISA Eligible Notes, Plan fiduciaries should consider, among other things: (i) the fiduciary standards under ERISA; (ii) whether the investment in such Notes satisfies the prudence and diversification requirements of ERISA, including whether the investment is prudent in light of limitations on the marketability of such Notes; (iii) whether such fiduciaries have authority to make the investment under the appropriate Plan investment policies and governing instrument and under Title I of ERISA; and (iv) whether the investment will give rise to a "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975 of the Code. In analyzing the prudence of an investment in the Issuer, special attention should be given to the U.S. Department of Labor regulation on investment duties at 29 C.F.R. Section 2550.404a-1.

Fiduciaries of plans subject to any Similar Law should confirm that an investment in the Notes will not result in a violation of such Similar Law.

The sale of any Notes to a purchaser is in no respect a representation by any of the Transaction Parties that such an investment meets all relevant legal requirements with respect to investments by purchasers generally or any particular purchaser, or that such an investment is appropriate for purchasers generally or any particular purchaser. Any purported transfer of the Notes that does not comply with the foregoing requirements shall be null and void *ab initio*.

## SUBSCRIPTION AND SALE

BofAML (the "**Sole Lead Manager**"), pursuant to a subscription agreement dated on or about 16 August 2019 between the Seller, the Arranger, the Sole Lead Manager and the Issuer (the "**Subscription Agreement**"), have agreed with the Issuer (subject to certain conditions) that the Sole Lead Manager will subscribe and pay for £266,668,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes, £14,118,000 of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes, £9,412,000 of the Class C Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class C Notes, £4,707,000 of the Class D Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class D Notes, £4,707,000 of the Class E Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class E Notes and £4,707,000 of the Class F Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class F Notes. BofAML has agreed to procure purchasers for all of the non-retained Residual Certificates to be issued to the Seller on the Closing Date pursuant to the Mortgage Sale Agreement, for same day settlement on the Closing Date.

On the Closing Date, it is expected that (i) one or more third party investors will acquire 95 per cent of each Class of Notes and (ii) the Seller will retain, either directly or through a majority-owned affiliate, 5 per cent. of each Class of Notes in accordance with the U.S. Risk Retention Rules.

The Issuer has agreed to indemnify the Seller, the Sole Lead Manager and the Arranger against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes and the Residual Certificates.

Other than admission of the Notes to the Official List and the admission of the Notes to trading Euronext Dublin, no action has been taken by the Issuer, the Seller, the Sole Lead Manager or the Arranger, 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.

The Seller will covenant to the Arranger and Sole Lead Manager that it will, whilst any of the Notes remain outstanding, retain on an ongoing basis a material net economic interest of 5 per cent. in the nominal value of each of the tranches sold or transferred to the investors in accordance with the text of Article 6(1) of the Securitisation Regulation (which, in each case, does not take into account any corresponding national measures).

The Seller has prior to entering into the Mortgage Sale Agreement identified the mortgage loans to be included in the Closing Date Portfolio. Statistical and other information on the Provisional Portfolio is set out in the section of this Prospectus entitled "*Characteristics of the Provisional Portfolio*". From the Provisional Portfolio, Loans will be selected to comprise the Closing Date Portfolio (following the removal of any Loan in relation to which it is discovered there has been a breach of a Loan Warranty). Any change in the manner in which the interest is held will be notified to the Noteholders.

Pursuant to the terms of the Subscription Agreement, the Seller may assign, transfer or novate its rights, obligations and liabilities (other than any obligations relating to retentions of 5 per cent. of the material net economic interest of each of the tranches sold or transferred to the investors, except to the extent such obligation is capable of being transferred or novated in accordance with the applicable legislation and regulation and would not cause the transaction described in this Prospectus to cease to be compliant with the risk retention requirements under Article 6 of the Securitisation Regulation to one of its subsidiaries. In that event, the obligations, liabilities and rights of the Seller will become the obligations, liabilities and rights of the entity acquiring them.

*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.*

### *United States*

The Notes and the Residual Certificates 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 only (I) in the United States, to QIBs acting for their own account, or for the account or benefit of one or more QIBs, in reliance on Rule 144A and (II) outside the United States to persons other than U.S. Persons in reliance on Regulation S in offshore transactions in reliance on Regulation S.

Each of the Arranger and the Sole Lead Manager has acknowledged, in the Subscription Agreement, that the Notes and Residual Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and therefore may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except, with respect to the Rule 144A Notes only, to persons that are QIBs in reliance on Rule 144A or pursuant to any other exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the securities laws of any state or other jurisdiction in the United States. In addition, the Notes cannot be resold in the United States or to U.S. persons unless they are subsequently registered or an exemption from registration is available. In connection with any Regulation S Notes, each of the Arranger and Sole Lead Manager has agreed that with respect to the relevant Regulation S Notes for which it has subscribed that it will not offer, sell or deliver the Regulation S Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the Regulation S Notes and the Closing Date (the "**Distribution Compliance Period**") within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Rule 903 or 904 of Regulation S. Each of the Arranger and Sole Lead Manager has further agreed that it will send to each affiliate or person receiving a selling commission, fee or other remuneration that purchases Regulation S Notes from it during the Distribution Compliance Period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S 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. In addition, until the expiration of the Distribution Compliance Period, an offer or sale of the Notes within the United States by the Arranger or the Sole Lead Manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in reliance on Rule 144A or pursuant to another exemption from the registration requirements under the Securities Act.

In connection with any Rule 144A Notes, each of the Arranger and the Sole Lead Manager has agreed that, with respect to the relevant Rule 144A Notes for which it has subscribed, it will directly or through its U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A and each purchaser of Notes is hereby notified that the Arranger and the Sole Lead Manager may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Rule 144A Notes which may be purchased by a QIB is GBP£100,000 (or the approximate equivalent thereof in any other currency). To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as restricted securities within the meaning of Rule

144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

The Issuer, the Arranger and the Sole Lead Manager reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB within the meaning of Rule 144A to whom an offer has been made directly by the Arranger or the Sole Lead Manager or, in each case, its U.S. broker-dealer affiliate. Distribution of this Prospectus by any person that is not a U.S. person outside the United States, or by any QIB in the United States, to any U.S. person or to any other person within the United States, other than any QIB (and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto), is unauthorised. Any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB (and those persons, if any, retained to advise such non-U.S. person or QIB), is prohibited.

### ***United Kingdom***

Each of the Sole Lead Manager and the Co-operative Bank p.l.c. has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any 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.

The Arranger and Sole Lead Manager and the Co-operative Bank p.l.c. has acknowledged that, save for having applied for the admission of the Notes to the Official List of the Central Bank of Ireland and admission to trading on Euronext Dublin, no further action has been or will be taken in any jurisdiction by the Arranger and Sole Lead Manager or the Co-operative Bank p.l.c. that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

### ***Prohibition of sale to EEA Retail Investors***

Each of the Sole Lead Manager and the Co-operative Bank p.l.c. has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of MiFID II;
- (b) a customer within the meaning of the "Insurance Distribution Directive", where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (c) not a qualified investor as defined in the Prospectus Regulation,

the expression "offer" includes 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.

### **General**

Each of the Sole Lead Manager and the Co-operative Bank p.l.c. has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

## TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

### Offers and Sales

The Notes (including interests therein represented by a Global Note, a Registered Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in accordance with an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. Accordingly, the Notes (and any interests therein) are being offered and sold (i) in the case of the Rule 144A Notes, in the United States only to QIBs in transactions exempt from the registration requirements of the Securities Act pursuant to Rule 144A and in accordance with the securities laws of any state or other jurisdiction of the United States and (ii) in the case of the Regulation S Notes, outside the United States to persons that are not U.S. persons in compliance with Regulation S.

The Notes may not be reoffered, resold, pledged or otherwise transferred except (a) (i) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S, or (b) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of any state or other jurisdiction of the United States.

On or prior to the expiration of the Distribution Compliance Period, ownership of interests in Regulation S Global Notes will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg, or persons who hold interests through Euroclear or Clearstream, Luxembourg, and any sale or transfer of such interests to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A as provided below. Any offers, sales or deliveries of the Notes in the United States or to U.S. persons by an investor purchasing in an offshore transaction pursuant to Regulation S prior to the end of the Distribution Compliance Period may constitute a violation of United States law.

### *Investor Representations and Restrictions on Resale*

Each purchaser of Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including interests therein), by its acceptance thereof, will be deemed to have acknowledged, represented and agreed as follows:

- (a) the Notes are only being offered in a transaction that does not require registration under the Securities Act and the Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and accordingly, may not be reoffered, resold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (b) that (A) in the case of the Rule 144A Global Notes, it (i) is a QIB within the meaning of Rule 144A, (ii) is aware, and each beneficial owner of such Notes has been advised, that the sale to it is being made in reliance on Rule 144A, (iii) is acquiring such Notes for its own account or as a fiduciary or agent for others (which others must also be QIBs) for investment purposes and not for distribution in violation of the Securities Act, and (iv) it is able to bear the economic risk of an investment in such Notes and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Notes; or (B) in the case of the Regulation S Notes, it is not a U.S. person (within the meaning of Regulation S and is acquiring such Regulation S Notes for its own



account or as a fiduciary or agent for other persons that are not a U.S. persons in an offshore transaction (as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S;

- (c) it acknowledges that none of the Issuer, the Registrar or the Arranger or any person representing such party, has made any representation to it with respect to the Issuer or the offering or sale of the Notes, other than the information contained in this Prospectus, which Prospectus has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It understands and agrees that any information provided to it prior to the delivery of this Prospectus is superseded by the information herein. It has had access to such financial and other information concerning the Issuer and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and receive information from the Issuer.
- (d) the Issuer has not been registered under the Investment Company Act;
- (e) it understands that the Notes are being offered only in a transaction that does not require registration under the Securities Act and are not fungible with any class of SEC-registered notes, and, if it decides to resell or otherwise transfer the Notes, then it agrees that it will resell or transfer such Notes only: (A) to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A; (B) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available); (C) to a person that is not a U.S. person acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S; (D) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States,;
- (f) it will, and will require each subsequent holder to, notify any subsequent purchaser of the Notes of the resale restrictions referred to in paragraph (e) above, if then applicable;
- (g) each purchaser and subsequent transferee of any ERISA-Eligible Note (or any interest therein) will be deemed by such purchase, acquisition or holding of any such Note (or interest therein) to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquires such Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), either that (A) it is not and for so long as it holds such Note (or any interest therein) will not be (and will not be acting on behalf of) a Benefit Plan Investor or a governmental, church or non-U.S. plan subject to Similar Law, or (B) its acquisition, holding and transfer or other disposition of such Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law);
- (h) each purchaser and subsequent transferee of any ERISA-Restricted Note (or any interest therein) will be deemed by such purchase, acquisition or holding of any such Note (or any interest therein) to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquires such Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), either that (A) it is not and for so long as it holds such Note (or any interest therein) will not be (and will not be acting on behalf of) a Benefit Plan Investor or a governmental, church or non-U.S. plan subject to Similar Law, or (B) if it is a governmental, church or non-U.S. plan, its acquisition, holding and transfer or other disposition of such Note (or any interest therein) does not and will not violate any Similar Law;

- (i) each purchaser and subsequent transferee of any ERISA-Eligible Note (or any interest therein) that is a Benefit Plan Investor will be deemed by such purchase, acquisition or holding of any such Note (or any interest therein) to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquires such Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), that (X) none of the Transaction Parties have provided any investment recommendation or investment advice to the Benefit Plan Investor or Plan Fiduciary, on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to purchase the Note (or any interest therein), (Y) the Transaction Parties are not otherwise undertaking to act as a "fiduciary", as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's purchase of the Notes (or any interest therein) and (Z) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction;
- (j) it understands that the Notes offered in reliance on Rule 144A will be represented by the Rule 144A Global Notes. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide a transfer agent with a written certification (in the form provided in the Trust Deed) as to compliance with applicable securities laws;
- (k) it also understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Notes. Before any interest in the Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note, it will be required to provide a transfer agent with a written certification (in the form provided in the Trust Deed) as to compliance with applicable securities laws;
- (l) it understands that the Issuer, the Registrar, the Arranger and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements contained in this section "*Transfer Restrictions and Investor Representations*", and agrees that, if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of the Notes are no longer accurate, it will promptly so notify the Issuer, the Registrar and the Arranger. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account. If it is acquiring any Notes for the account of one or more QIBs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;
- (m) with respect to any foreign purchaser claiming an exemption from United States income or withholding tax, such purchaser has delivered to the paying agent a true and complete Form W 8BEN, W-8BEN-E, W-8ECI or W-8IMY, indicating such exemption; and the purchaser acknowledges that transfers of the issuing entity notes or any interest therein will otherwise be subject in all respects to any other restrictions applicable thereto contained in the Trust Deed.

The Issuer, the Registrar, the Arranger, the Sole Lead Manager and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

### ***Legends on Global Notes***

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any series of the Notes is outstanding, a Regulation S Global Note will bear a legend substantially as set forth below:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS SET FORTH BELOW.

AS A MATTER OF U.S. LAW, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, ANY TRANSFER OF THE NOTES MAY ONLY BE MADE: (A) TO A PERSON THAT IS NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") OR (B) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ANY PURPORTED TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE COMMON SAFEKEEPER OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ANY APPLICABLE REGULATIONS.

**[INSERT FOR GLOBAL REGULATION S NOTES THAT ARE ERISA-ELIGIBLE NOTES]** EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN), BY ITS PURCHASE, ACQUISITION OR HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") WHICH IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS COULD BE DEEMED TO INCLUDE "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY WITHIN THE MEANING OF U.S. DEPARTMENT OF LABOR REGULATION, 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) (EACH OF (I) TO (III), A "**BENEFIT PLAN INVESTOR**"), OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY OTHER FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) THAT ITS ACQUISITION, HOLDING AND TRANSFER OR OTHER DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED

TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW).

IN ADDITION, EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN) THAT IS A BENEFIT PLAN INVESTOR WILL BE DEEMED BY SUCH PURCHASE, ACQUISITION OR HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) TO HAVE REPRESENTED, WARRANTED AND AGREED, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER OR TRANSFEREE ACQUIRES THIS NOTE (OR ANY INTEREST HEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER OR TRANSFEREE DISPOSES OF THIS NOTE (OR ANY INTEREST HEREIN), THAT (X) NONE OF THE TRANSACTION PARTIES HAVE PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE TO THE BENEFIT PLAN INVESTOR OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR (A "PLAN FIDUCIARY"), ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO PURCHASE THIS NOTE (OR ANY INTEREST HEREIN), (Y) THE TRANSACTION PARTIES ARE NOT OTHERWISE UNDERTAKING TO ACT AS A "FIDUCIARY", AS THAT TERM IS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S PURCHASE OF THIS NOTE (OR ANY INTEREST HEREIN) AND (Z) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION. ANY PURPORTED TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

**[INSERT FOR GLOBAL REGULATION S NOTES THAT ARE ERISA-RESTRICTED NOTES]** BY ITS PURCHASE, ACQUISITION OR HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), EACH HOLDER OF THIS NOTE (OR ANY INTEREST HEREIN) SHALL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") WHICH IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS COULD BE DEEMED TO INCLUDE "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY WITHIN THE MEANING OF U.S. DEPARTMENT OF LABOR REGULATION, 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) (EACH OF (I) TO (III), A "**BENEFIT PLAN INVESTOR**"), OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY OTHER FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) IF IT IS A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, THE ACQUISITION, HOLDING AND TRANSFER OR OTHER DISPOSITION OF THIS NOTE (OR ANY INTEREST) HEREIN DOES NOT AND WILL NOT VIOLATE ANY SIMILAR LAW. ANY PURPORTED TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any series of the Notes is outstanding, a Rule 144A Global Note will bear a legend substantially as set forth below:

THIS NOTE IS ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES TO A PERSON THAT IS NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (IV) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. ANY PURPORTED TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM, LUXEMBOURG (THE COMMON SAFEKEEPER) TO THE REGISTRAR OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF SUCH ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE COMMON SAFEKEEPER OR SUCH OTHER REPRESENTATIVE OF THE COMMON SAFEKEEPER OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE COMMON SAFEKEEPER (AND ANY PAYMENT HEREON IS MADE TO SUCH ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE COMMON SAFEKEEPER), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO SUCH NOMINEES OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ANY APPLICABLE REGULATIONS.

**[INSERT FOR GLOBAL 144A NOTES THAT ARE ERISA-ELIGIBLE NOTES]**  
EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR ANY INTEREST

HEREIN), BY ITS PURCHASE, ACQUISITION OR HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") WHICH IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS COULD BE DEEMED TO INCLUDE "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY WITHIN THE MEANING OF U.S. DEPARTMENT OF LABOR REGULATION, 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) (EACH OF (I)-(III), A "BENEFIT PLAN INVESTOR"), OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY OTHER FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) THAT ITS ACQUISITION, HOLDING AND TRANSFER OR OTHER DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW).

IN ADDITION, EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN) THAT IS A BENEFIT PLAN INVESTOR WILL BE DEEMED BY SUCH PURCHASE, ACQUISITION OR HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) TO HAVE REPRESENTED, WARRANTED AND AGREED, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER OR TRANSFEREE ACQUIRES THIS NOTE (OR ANY INTEREST HEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER OR TRANSFEREE DISPOSES OF THIS NOTE (OR ANY INTEREST HEREIN), THAT (X) NONE OF THE TRANSACTION PARTIES HAVE PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE TO THE BENEFIT PLAN INVESTOR OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR (A "PLAN FIDUCIARY"), ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO PURCHASE THIS NOTE (OR ANY INTEREST HEREIN), (Y) THE TRANSACTION PARTIES ARE NOT OTHERWISE UNDERTAKING TO ACT AS A "FIDUCIARY", AS THAT TERM IS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S PURCHASE OF THIS NOTE (OR ANY INTEREST HEREIN) AND (Z) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION. ANY PURPORTED TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

**[INSERT FOR GLOBAL 144A NOTES THAT ARE ERISA-RESTRICTED NOTES]**  
BY ITS PURCHASE, ACQUISITION OR HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), EACH HOLDER OF THIS NOTE (OR ANY INTEREST HEREIN) SHALL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY

INTEREST HEREIN) WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") WHICH IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS COULD BE DEEMED TO INCLUDE "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY WITHIN THE MEANING OF U.S. DEPARTMENT OF LABOR REGULATION, 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA), OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY OTHER FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) IF IT IS A GOVERNMENTAL, CHURCH OR NON-U.S., THE ACQUISITION, HOLDING AND TRANSFER OR OTHER DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) DOES NOT AND WILL NOT VIOLATE ANY SIMILAR LAW. ANY PURPORTED TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID AB INITIO.]

THE PURCHASER OR ACQUIROR ACKNOWLEDGES THAT THE ISSUER RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

*Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.*

## GENERAL INFORMATION

1. It is expected that the admission of the Notes to the Official List and the admission of the Notes to trading on Euronext Dublin will be granted on or around 22 August 2019. Prior to listing, however, dealings will be permitted by Euronext Dublin in accordance with its rules. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction. The entirety of each Class of Notes will be listed. Residual Certificates will not be listed.
2. The Issuer's LEI number is 2138004KCL7M1SQMD197.
3. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since 22 May 2019 (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 (as the case may be).
4. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on Euronext Dublin, 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.
5. For so long as the Notes are admitted to the Official List and to trading on Euronext Dublin, the Issuer shall maintain a Paying Agent in the United Kingdom.
6. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
7. Since 22 May 2019 (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.
8. The issue of the Notes and the Residual Certificates was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 16 August 2019.
9. The Notes and the Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

Class of Notes	Regulation S ISIN	Regulation S Common Code	Rule 144A ISIN	Rule 144A Common Code
Class A Notes	XS2019935126	201993512	XS2019935985	201993598
Class B Notes	XS2019935472	201993547	XS2019936017	201993601
Class C Notes	XS2019935555	201993555	XS2019936108	201993610
Class D Notes	XS2019935639	201993563	XS2019936280	201993628
Class E Notes	XS2019935803	201993580	XS2019936363	201993636



Class F Notes	XS2038952755	203895275	XS2038952672	203895267
Principal Residual Certificates	XS2019823165	201982316	XS2019825293	201982529
Revenue Residual Certificates	XS2019825707	201982570	XS2019825962	201982596

10. The Notes and the Residual Certificates have the following CFIs and FSIN codes:

<b>Class of Notes</b>	<b>Regulation S CFI</b>	<b>Regulation S FSIN Code</b>	<b>Rule 144A CFI</b>	<b>Rule 144A FSIN Code</b>
Class A Notes	DGVNFR	WARWICK FINANCE/VA RMBS 20420321	DGVNFR	WARWICK FINANCE/VA RMBS 20420321
Class B Notes	DGVNFR	WARWICK FINANCE/VA RMBS 20420321 SU	DGVXFR	WARWICK FINANCE/VA RMBS 20420321 SU
Class C Notes	DGVNFR	WARWICK FINANCE/VA RMBS 20420321 SU	DGVXFR	WARWICK FINANCE/VA RMBS 20420321 SU
Class D Notes	DGVNFR	WARWICK FINANCE/VA RMBS 20420321 SU	DGVXFR	WARWICK FINANCE/VA RMBS 20420321 SU
Class E Notes	DGVNFR	WARWICK FINANCE/VA RMBS 20420321 SU	DGVXFR	WARWICK FINANCE/VA RMBS 20420321 SU
Class F Notes	DGVNFR	WARWICK FINANCE/VA RMBS 20420321	DGVNFR	WARWICK FINANCE/VA RMBS 20420321 SU
Principal Residual Certificates	DGVXFR	WARWICK FINANCE/VA RMBS 20420321 SU	DGVNFR	WARWICK FINANCE/VA RMBS 20420321 SU
Revenue Residual Certificates	DGVNFR	WARWICK FINANCE/VA RMBS 20420321 SU	DGVNFR	WARWICK FINANCE/VA RMBS 20420321 SU

## 11. Reporting

### 11.1 Securitisation Regulation Reporting

The Cash Manager on behalf of the Issuer shall:

- (a) publish a quarterly investor report in respect of the relevant Collection Period, as required by and in accordance with Article 7(1)(e) of the Securitisation Regulation, which shall be provided (i) as at the Closing Date and prior to the date on which the relevant technical standards under the Securitisation Regulation have been implemented, in the form of the standardised template set out in Annex VIII of the Delegated Regulation (EU) No 2015/3 as required by Article 43(8) of the Securitisation Regulation and (ii) following the technical standards required by the Securitisation Regulation coming into effect, in the manner required by such technical standards;
- (b) publish (simultaneously with the report referred to in paragraph (a) above) on a quarterly basis certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the Securitisation Regulation which shall be provided (i) as at the Closing Date and prior to the date on which the technical standards being prepared under the Securitisation Regulation, in the form of the standardised template set out in Annex I of the Delegated Regulation (EU) No 2015/3 as required by Article 43(8) of the Securitisation Regulation and (ii) following the technical standards required under the Securitisation Regulation coming into effect, in the manner required by such technical standards;
- (c) publish on the website of European Data Warehouse at <https://editor.eurowd.eu/home> any information required to be reported pursuant to Article 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay. Such information will also be made available, on request, to potential holders of the Notes; and
- (d) within 15 days of the issuance of the Notes, make available via the website of European Data Warehouse at <https://editor.eurowd.eu/home> copies of the final Transaction Documents and this Prospectus.

The reports set out above shall be published on the website of European Data Warehouse at <https://editor.eurowd.eu/home>, being a website which conforms with the requirements set out in Article 7(2) of the Securitisation Regulation and each such report and loan-by-loan and other information shall be made available no later than one month following the Interest Payment Date following the Collection Period to which it relates. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. To the extent any technical standards prepared under the Securitisation Regulation come into effect after the date of this Prospectus and require such reports to be published in a different manner or on a different website.

The Cash Manager will (as authorised by the Issuer) make the information referred to above available to the Noteholders and Certificateholders, relevant competent authorities (including for the avoidance of doubt the FCA) and, upon request, to potential investors in the Notes. In addition, the Issuer confirms that the Cash Manager on behalf of the Issuer has made available the documents required by Article 7(1)(b) of the Securitisation Regulation prior to the pricing date of the Notes.

## 11.2 Bank of England Reporting

The Seller (as originator) will procure that the Cash Manager will publish a monthly investor report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio in the form required by the Bank of England for the purpose of the Bank of England's sterling monetary framework.

Such reports will be published on (i) the Seller's website at <https://www.co-operativebank.co.uk/investorrelations/debtinvestors/warwickfinancermbs> and (ii) published on the website of European DataWarehouse at <https://editor.eurowdw.eu/home> and (iii) delivered to the Issuer, the Security Trustee, the Seller and the Rating Agencies by no later than 20 Business Days following receipt by the Cash Manager of written request.

12. From the date of this Prospectus and for so long as the Notes are listed on Euronext Dublin, physical copies of the following documents may be inspected at the registered office of the Issuer (and, with the exception of paragraph (a) below, at the specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):

- (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;
- (b) copies of the following documents:
  - (i) the Agency Agreement;
  - (ii) the Deed of Charge;
  - (iii) the Cash Management Agreement;
  - (iv) the Back-Up Cash Management Agreement;
  - (v) the Master Definitions and Construction Schedule;
  - (vi) the Mortgage Sale Agreement;
  - (vii) the Corporate Services Agreement;
  - (viii) the Citi Bank Account Agreement;
  - (ix) the declaration of trust dated on or about the Closing Date between, *inter alios*, the Collection Account Bank, the Issuer, the Third Party Collection Agent and the Security Trustee (the "**Collection Account Declaration of Trust**");
  - (x) the Servicing Agreement;
  - (xi) the Back-Up Servicing Agreement;
  - (xii) the Trust Deed
  - (xiii) Deed Poll; and
  - (xiv) the Liquidation Agent Agreement.

13. Co-op (as originator) will procure that the information and reports as more fully set out in the section of this Prospectus headed "*Summary of the Key Transaction Documents – Investor Reports and information*" are published when and in the manner set out in such section.
14. The Issuer confirms that the securitised assets backing the issue of the securities have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the securities. 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. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
15. Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Regulated Market of Euronext Dublin.

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