

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.**

**IMPORTANT: YOU MUST READ THE FOLLOWING BEFORE CONTINUING.** THE FOLLOWING APPLIES TO THE PROSPECTUS FOLLOWING THIS PAGE, 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.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. 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 U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THIS PROSPECTUS HAS BEEN DELIVERED TO YOU ON THE BASIS THAT YOU ARE A PERSON INTO WHOSE POSSESSION THIS PROSPECTUS MAY BE LAWFULLY DELIVERED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH YOU ARE LOCATED. BY ACCESSING THE PROSPECTUS, YOU SHALL BE DEEMED TO HAVE CONFIRMED AND REPRESENTED TO US THAT (A) YOU HAVE UNDERSTOOD AND AGREE TO THE TERMS SET OUT HEREIN, (B) YOU CONSENT TO DELIVERY OF THE PROSPECTUS BY ELECTRONIC TRANSMISSION, (C) YOU ARE NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT) 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 EMAIL 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 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 ARTICLE 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 Aggregator of Loans Backed by Assets 2015-1 PLC (the "**Issuer**"), Ertow Holdings Limited (the "**Seller**"), Burlington Loan Management Limited (the "**Retention Holder**") and Credit Suisse Securities (Europe) Limited ("**Credit Suisse**") nor any person who controls any such person nor 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 Credit Suisse.

## AGGREGATOR OF LOANS BACKED BY ASSETS 2015-1 PLC

*(Incorporated under the laws of England and Wales with limited liability, registered number 09455280)*

Class of Notes	Initial Principal Amount	Issue Price	Reference Rate	Margin	Step-Up Margin	Additional Note Payment (accrues from and including the Optional Redemption Date)	Ratings (DBRS/S&P)	Final Maturity Date
Class A Notes	£179,000,000	100%	One Month LIBOR*	1.25% per annum**	1.875% per annum***	N/A	AAA(sf)/AAA(sf)	The Interest Payment Date falling in April 2049
Class B Notes	£21,000,000	100%	One Month LIBOR*	1.65% per annum	N/A	0.825% per annum	AA(sf)/AA(sf)	The Interest Payment Date falling in April 2049
Class C Notes	£21,000,000	100%	One Month LIBOR*	2.10% per annum	N/A	1.05% per annum	A(sf)/A(sf)	The Interest Payment Date falling in April 2049
Class D Notes	£18,000,000	100%	One Month LIBOR*	2.60% per annum	N/A	1.30% per annum	BBB(low)(sf)/A-(sf)	The Interest Payment Date falling in April 2049
Class E Notes	£21,000,000	95.05%	One Month LIBOR*	2.70% per annum	N/A	1.35% per annum	B(sf)/BB(sf)	The Interest Payment Date falling in April 2049
Class Z Notes	£5,469,000	119.01%	0.00% per annum	N/A	N/A	N/A	Not Rated	The Interest Payment Date falling in April 2049
Subordinated Notes	£8,204,000	122.62%	0.00% per annum	N/A	N/A	N/A	Not Rated	The Interest Payment Date falling in April 2049

Additional Note Payments can be paid in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

Payments of Additional Note Payments are subordinated to payments of interest on the Notes. Payments of Additional Note Payments are not rated and may be deferred and non-payment thereof shall not be an Event of Default in any circumstances.

\* Except in respect of the first Interest Period, where the Reference Rate will be the linear interpolation of LIBOR for one and three month deposits in Sterling.

\*\* In the case of the Class A Notes only, payable up to and including the Optional Redemption Date.

\*\*\* In the case of the Class A Notes only, payable after the Optional Redemption Date.

ARRANGER

Credit Suisse

LEAD MANAGER

Credit Suisse

The date of this Prospectus is 21 April 2015

<b>Issue Date</b>	The Issuer will issue the Notes in the classes set out above on or about 23 April 2015 (the " <b>Closing Date</b> ").
<b>Standalone/ programme issuance</b>	Standalone issuance.
<b>Listing</b>	This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the " <b>Prospectus Directive</b> "). This Prospectus has been approved by the Central Bank of Ireland (the " <b>Central Bank</b> ") as the competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (together, the " <b>Rated Notes</b> "), the Class Z Notes and the Subordinated Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the " <b>Markets in Financial Instruments Directive</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 the Irish Stock Exchange plc (the " <b>Irish Stock Exchange</b> ") for the Notes to be admitted to the official list (the " <b>Official List</b> ") and trading on its regulated market (the " <b>Main Securities Market</b> "). The Irish Stock Exchange's Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.
<b>Underlying Assets</b>	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and revenue received from a portfolio comprising mortgage loans and their related security sold on the Closing Date by Ertow Holdings Limited (the "<b>Seller</b>") and originated by the Originators (as defined below) and secured over residential properties located in England, Wales, Northern Ireland and Scotland (the "<b>Portfolio</b>") which will be purchased by the Issuer on the Closing Date.</p> <p>See the sections entitled "<i>Transaction Overview – Portfolio and Servicing</i>", "<i>The Loans</i>" and "<i>Characteristics of the Provisional Portfolio</i>" for further details.</p>
<b>Credit Enhancement</b>	<p>Credit enhancement of the Notes is provided in the following manner:</p> <ul style="list-style-type: none"> <li>• the aggregate Current Balance of the Loans on the Original Cut-Off Date will be: <ul style="list-style-type: none"> <li>• approximately 105.17 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes as at the Closing Date (approximately £13,442,723.14 in excess of the aggregate Principal Amount Outstanding on the Rated Notes as at the Closing Date); and</li> <li>• approximately 103.00 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date (approximately £7,973,723.14 in excess of the aggregate Principal Amount Outstanding on the Rated Notes and the Class Z Notes as at the Closing Date);</li> </ul> </li> <li>• in relation to any Class of Notes (other than the Subordinated Notes and the Class Z Notes), the overcollateralisation funded by Notes ranking junior to such Class of Notes in the Priority of Payments (other than the Subordinated Notes);</li> <li>• the amount by which Available Revenue Receipts exceed the amounts required to</li> </ul>

pay interest on the relevant Class of Notes in accordance with the Pre-Enforcement Revenue Priority of Payments and all other amounts ranking in priority thereto;

- prior to the service of an Enforcement Notice and in respect of the Rated Notes only, the availability of the amount standing to the credit of the Reserve Fund; and
- following service of an Enforcement Notice, all amounts credited to the Reserve Fund Ledger, subject to application in accordance with the Post-Enforcement Priority of Payments.

See the sections entitled "*Transaction Overview – Credit Structure and Cashflow*" and "*Credit Structure*" for further details. In relation to the Reserve Fund, see the section entitled "*Credit Structure – Reserve Fund and Reserve Fund Ledger*" for further details.

### **Liquidity Support**

Liquidity support for the Notes is provided in the following manner:

- the subordination in payment of those Classes of Notes ranking junior in the Priority of Payments;
- in respect of the Class A Notes and (subject to the satisfaction of the relevant Principal Addition Amount Condition) the Class B Notes, the Class C Notes and the Class D Notes only, the Principal Addition Amounts (as defined herein); and
- in respect of the Rated Notes only, all amounts standing to the credit of the Reserve Fund subject to (in the case of the Class C Notes, the Class D Notes and the Class E Notes only) the satisfaction of the Reserve Fund Conditions.

See the sections entitled "*Transaction Overview – Credit Structure and Cashflow*" and "*Credit Structure*" for further details. In relation to the Reserve Fund, see the section entitled "*Credit Structure – Reserve Fund and Reserve Fund Ledger*" for further details.

### **Redemption Provisions**

Information on any optional and mandatory redemption of the Notes is summarised on page 81 ("*Transaction Overview – Overview of the Characteristics of the Notes and the Residual Certificates*") and set out in full in Condition 8 (*Redemption*) of the terms and conditions of the Notes (the "**Conditions**").

### **Credit Rating Agencies**

DBRS Ratings Limited ("**DBRS**") and Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited ("**S&P**") (each a "**Rating Agency**" and together, the "**Rating Agencies**"). As of the date of this prospectus (the "**Prospectus**"), each of the Rating Agencies is a credit rating agency established in the European Union (the "**EU**") and is registered under Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation.

## Credit Ratings

The ratings assigned to the Rated Notes shall address, *inter alia*:

- the likelihood of full and timely payment to the holders of the Rated Notes (the "**Rated Noteholders**") of all payments of interest (including any Step-Up Margin on the Class A Notes) on each Interest Payment Date; and
- the likelihood of ultimate payment to the Rated Noteholders of principal in relation to the Rated Notes on or prior to the Final Maturity Date.

Ratings are expected to be assigned to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes on or before the Closing Date. The Class Z Notes and the Subordinated Notes will not be rated. The assignment of a rating to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes by any Rating Agency is not a recommendation to invest in the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes respectively or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.

Payments of Additional Note Payments in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are not rated and the rating of the relevant Class of Notes does not address the likelihood of receipt of any amounts in respect of the Additional Note Payments.

## 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.

## Retention Undertaking

On the Closing Date, Burlington Loan Management Limited, (the "**Retention Holder**") will, as an originator for the purposes of the CRR and the AIFM Regulation (each as defined below), retain a material net economic interest of not less than 5 per cent. in the securitisation (representing downside risk and economic outlay) in accordance with the text of each of Article 405 of Regulation (EU) No 575/2013 (the "**Capital Requirements Regulation**" or "**CRR**"), Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Manager Regulation (the "**AIFM Regulation**") and Article 254 of Regulation (EU) 2015/35 (the "**Solvency II Regulation**") (which, in each case, does not take into account any relevant national measures) (the "**Retention**"). As at the Closing Date, the Retention will be comprised by the Retention Holder holding through its interest and exposure in the profit participating loan entered into with the Seller an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors, represented in this case by the retention by the Seller of the Class Z Notes and the Subordinated Notes, as required by the text of each of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation. The Principal Amount Outstanding of the Class Z Note and the Subordinated Note are equal to 5 per cent of the material net economic interest in the securitisation. The Retention Holder will undertake to retain the material net economic interest and will give further undertakings with respect to the Retention (as to which, see the section entitled "*EU Risk Retention Requirements*"). Any change in the manner in which the interest is held will be notified to the Noteholders. See the section entitled "*EU Risk Retention Requirements*" for further information.

- Residual Certificates** In addition to the Notes, the Issuer will issue the Residual Certificates to the Seller on the Closing Date. The Residual Certificates represent the right to receive deferred consideration for the purchase of the Portfolio (consisting of the Residual Payments in respect of the Portfolio). See the section entitled "*Terms and Conditions of the Residual Certificates*" for further details.
- Significant Investor** The Seller will on the Closing Date purchase 100 per cent. of the Class Z Notes and 100 per cent. of the Subordinated Notes. See the section entitled "*EU Risk Retention Requirements*" for further details.

**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.**

## IMPORTANT NOTICE

**THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE ORIGINATORS, THE RETENTION HOLDER, THE ARRANGER, THE LEAD MANAGER, THE SERVICER, THE CASH MANAGER, THE ISSUER ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, HOLDINGS, THE CORPORATE SERVICES PROVIDER, THE AGENT BANK, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS (TOGETHER, THE "RELEVANT PARTIES"). NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE RELEVANT PARTIES OR BY ANY PERSON OTHER THAN THE ISSUER.**

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class Z Notes and the Subordinated Notes will each be represented on issue by a global note certificate in registered form (a "**Global Note**"). The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class Z Notes and the Subordinated Notes may be issued in definitive registered form under certain circumstances.

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

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 OR BY ANY RELEVANT PARTY 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 DIRECTIVE BY THE CENTRAL BANK OF IRELAND, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER OR BY ANY RELEVANT PARTY 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 LEAD MANAGER TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**") ("**U.S. PERSONS**")) EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. FOR A

DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES OR TRANSFERS, SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

THE LEAD MANAGER, THE SELLER AND EACH 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 OUT IN THE SUBSCRIPTION AGREEMENT 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 NOR ANY RELEVANT PARTY OR ANY OF THEIR RESPECTIVE AFFILIATES 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 (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. 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.

EXCEPT AS SPECIFICALLY EXCLUDED THEREIN, THE SELLER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE SELLER*", "*THE LOANS*" AND "*CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE SELLER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), 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 SELLER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE AND NOT SPECIFICALLY EXCLUDED THEREIN) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE CASH MANAGER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE CASH MANAGER*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE CASH MANAGER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE 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. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE CASH MANAGER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTION REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.



THE SERVICER AND THE LEGAL TITLE HOLDER ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "THE SERVICER AND THE LEGAL TITLE HOLDER". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE SERVICER AND LEAGL TITLE HOLDER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE 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. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE SERVICER AND LEGAL TITLE HOLDER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTION REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE ISSUER ACCOUNT BANK ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*ISSUER ACCOUNT BANK*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE ISSUER ACCOUNT BANK (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE 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. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE ISSUER ACCOUNT BANK AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE COLLECTION ACCOUNT BANK ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE COLLECTION ACCOUNT BANK*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE COLLECTION ACCOUNT BANK (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE 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. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE COLLECTION ACCOUNT BANK AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE NOTE TRUSTEE AND THE SECURITY TRUSTEE ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE NOTE TRUSTEE AND SECURITY TRUSTEE*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE 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. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE NOTE TRUSTEE OR THE SECURITY TRUSTEE AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

THE CORPORATE SERVICES PROVIDER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED "*THE CORPORATE SERVICES PROVIDER*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE CORPORATE SERVICES PROVIDER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION

CONTAINED IN THE 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. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE CORPORATE SERVICES PROVIDER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTION REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE ORIGINAL SELLER OR THE ORIGINATORS AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES AND/OR THE RESIDUAL CERTIFICATES OR THEIR DISTRIBUTION. THE ORIGINAL SELLERS AND THE ORIGINATORS ARE NOT TRANSACTION PARTIES AND HAVE NO OBLIGATIONS IN RESPECT OF THE ISSUER, THE NOTES AND/OR THE RESIDUAL CERTIFICATES. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE RETENTION HOLDER AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES AND/OR RESIDUAL CERTIFICATES OR THEIR DISTRIBUTION.

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THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE RETENTION HOLDER, THE SELLER, THE ORIGINATORS, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE LEAD MANAGER, 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 "**FCA**" are to the United Kingdom Financial Conduct Authority and all references to the "**PRA**" are to the United Kingdom Prudential Regulation Authority, which together replaced the Financial Services Authority (the "**FSA**") pursuant to the provisions of the UK Financial Services Act 2012.

In this Prospectus, words denoting the singular number only shall include the plural number and vice versa and words denoting one gender shall include the other genders, as the context may require. A defined term in the plural which refers to a number of different items or matters may be used in the singular or plural to refer to any (or any set) of those items or matters.

### **Forward-Looking Statements**

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective 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. None of the Note Trustee, the Security Trustee, the Seller, the Retention Holder, the Arranger or the Lead Manager (or any of their respective affiliates) has attempted to verify any such statements, 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. None of the Issuer, the Note Trustee, the Security Trustee, the Seller, the Retention Holder, the Arranger or the Lead Manager (or any of their respective affiliates) assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

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## **RISK FACTORS**

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

*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 and reach their own views, together with their own professional advisers, prior to making any investment decision.*

*The purchase of the Notes involves substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of the Notes should (i) ensure that they understand the nature of the Notes and the extent of their exposure to risk, (ii) consider carefully, in the light of their own financial circumstances and investment objectives (and those of any accounts for which they are acting) and in consultation with such legal, financial, regulatory and tax advisers as it deems appropriate, all the information set out in this Prospectus so as to arrive at their own independent evaluation of the investment and (iii) confirm that an investment in the Notes is fully consistent with their respective financial needs, objectives and any applicable investment restrictions and is suitable for them. The Notes are not a conventional investment and carry various unique investment risks, which prospective investors should understand clearly before investing in them. In particular, an investment in the Notes involves the risk of a partial or total loss of investment.*

### **Credit Structure**

#### ***Liabilities under the Notes***

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Relevant Parties or by any person other than the Issuer.

#### ***Limited source of Funds***

The ability of the Issuer to meet its obligations to pay principal, interest and Additional Note Payments on the Notes and its operating and administrative expenses will be dependent solely on receipts from the English Loans, the Northern Irish Loans and the Scottish Loans (the "**Loans**") in the Portfolio, interest earned on the Issuer Accounts and the availability of the Reserve Fund (applied in accordance with the terms of the Cash Management Agreement and subject to the satisfaction of the Reserve Fund Conditions). 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/or any other payment obligation of the Issuer under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Assets following service of an Enforcement Notice is described below (see further "*Security and insolvency considerations*" below).

### ***Limited recourse***

The Notes will be limited recourse obligations of the Issuer. Other than the source of funds referred to in the foregoing paragraph, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. Upon enforcement of the Security by the Security Trustee, if:

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

then the Secured Creditors (which include the Noteholders) 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 (in the case of the Noteholders, principally payments of principal, interest and Additional Note Payments in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be extinguished.

### ***Limitations on enforcement***

No Noteholder or Certificateholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents to enforce the performance of any of the provisions of the Transaction Documents and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer unless the Note Trustee or, as the case may be, the Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, provided that no Noteholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer in any circumstances.

### ***Deferral of Interest Payments on the Notes and Additional Note Payments***

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) that would otherwise be payable absent the deferral provisions in respect of any Class of Notes (other than the Most Senior Class of Notes) after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as the relevant Class of Notes becomes due and repayable in full in accordance with the Conditions. Any such deferral in accordance with the Conditions will not constitute an Event of Default.

Failure to pay interest (but not, for the avoidance of doubt, any Additional Note Payments) on the Most Senior Class of Notes shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts in respect of Additional Note Payment Amounts, (including interest (if any) accrued but unpaid and/or deferred and accrued interest thereon) payable in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall defer payment of the relevant Additional Note Payment Amount (including interest calculated in accordance with Condition 6.4(b)(ii) (*Unpaid Additional Note Payment Interest Amount*)) until the next Interest Payment Date. Such failure to pay Additional Note Payment Amounts shall not constitute an Event of Default.

### ***Credit risk***

The Issuer is subject to the risk of default in payment by the Borrowers and the inability of the Servicer, on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of any Loan and its Related Security in order to discharge all amounts due and owing by the relevant Borrower(s) under such Loan, which may adversely affect payments on the Notes. This risk is mitigated to some extent 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. Should there be credit losses arising in respect of the Loans, this could have an adverse effect on the ability of the Issuer to make payments of interest and/or principal on the Notes.

### ***Liquidity of the Issuer***

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). This risk is addressed in respect of the Rated Notes by the provision of liquidity from alternative sources (including the use of amounts credited to the Reserve Fund (subject to the satisfaction of the Reserve Fund Conditions) to cover any Revenue Deficit and the use of Principal Addition Amounts (subject to the satisfaction of the Principal Addition Amount Conditions) to the extent of any Senior Expenses Deficit), as more fully described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such liquidity support features, or that such features will protect the Noteholders from all risk of delayed payment and/or loss.

### ***Subordination of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class Z Notes and the Subordinated Notes***

The Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, as provided in the Conditions and the Transaction Documents.

The Class B Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest, principal and the Class B Additional Note Payment (if any) at all times, but subordinate to the Class A Notes, as provided in the Conditions and the Transaction Documents (except that all payments in respect of any Class B Additional Note Payment will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class C Additional Note Payments, Class D Additional Note Payments and Class E Additional Note Payments).

The Class C Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest, principal and the Class C Additional Note Payment (if any) at all times, but subordinate to the Class A Notes and the Class B Notes, as provided in the Conditions and the Transaction Documents (except that all payments in respect of any Class C Additional Note Payment will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class D Additional Note Payments and Class E Additional Note Payments).

The Class D Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest, principal and the Class D Additional Note Payment (if any) at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes, as provided in the Conditions and the Transaction Documents (except that all payments in respect of any Class D Additional Note Payment will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class E Additional Note Payments).

The Class E Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest, principal and the Class E Additional Note Payment (if any) at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, as provided in

the Conditions and the Transaction Documents (except that all payments in respect of any Class E Additional Note Payment will rank subordinate to all payments under the Rated Notes).

The Class Z Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to all payments due in respect of the Rated Notes, as provided in the Conditions and the Transaction Documents.

On or after the Optional Redemption Date or the Final Redemption Date, payments of principal on the Class Z Notes will be subordinated to payments of interest on the Subordinated Notes, as provided in the Conditions and the Transaction Documents.

The Subordinated Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to all payments due in respect of the Rated Notes and (except as provided below) the Class Z Notes, as provided in the Conditions and the Transaction Documents.

On or after the Optional Redemption Date or the Final Redemption Date, payments of interest on the Subordinated Notes will be paid in priority to payments of principal on the Class Z Notes, as provided in the Conditions and the Transaction Documents.

The Residual Certificates are subordinate to all rights of payment of interest on the Notes (including any Additional Note Payments), as provided in the terms and conditions of the Residual Certificates (the "**Residual Certificates Conditions**") and the Transaction Documents.

In addition to the above, payments on the Notes and the Residual Certificates are subordinate to payments of certain fees, costs and expenses payable to the other Secured Creditors (including the Note Trustee, the Security Trustee, the Issuer Account Bank, the Collection Account Bank, the Servicer, the Legal Title Holder, the Corporate Services Provider, the Designated Reporting Entity, the Cash Manager, the Paying Agents, the Registrar and the Agent Bank) and certain third parties. For further information on the likely costs payable to such Secured Creditors, please see "*Transaction Overview – Fees*" below.

The priority of the Notes and the Residual Certificates are further set out in "*Cashflows – Application of Available Revenue Receipts Prior to the Service of an Enforcement Notice on the Issuer*", "*Cashflows – Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer*" and "*Cashflows – Distributions Following the Service of an Enforcement Notice on the Issuer*".

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

### ***Revenue and Principal Deficiency Ledger***

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts (excluding for such purposes any Principal Addition Amounts), and after applying any Reserve Fund Drawings to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments (subject to the satisfaction of the Reserve Fund Conditions), there would be a Senior Expenses Deficit, the Issuer shall apply Available Redemption Receipts (if any) in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments to cure such Senior Expenses Deficit (such reapplied amounts, "**Principal Addition Amounts**"). Available Redemption Receipts may only be redirected as Principal Addition Amounts and applied as Available Revenue Receipts to cover such Senior Expenses Deficit (arising as a result of any inability to pay amounts due in respect of interest in respect of the Class A Notes and (subject to the satisfaction of the relevant Principal Addition Amount Condition) interest in respect of the Class B Notes, the Class C Notes and the Class D Notes (but not any Class B Additional Note Payments, Class C Additional Note Payments or Class D Additional Note Payments) and certain prior ranking payments). The Issuer will not be able to use Available Redemption Receipts to pay interest on any other Class of Notes to the extent Available Revenue



Receipts are not sufficient and will not apply Principal Addition Amounts to pay any Class B Additional Note Payments, Class C Additional Note Payments or Class D Additional Note Payments.

Application of any Available Redemption Receipts as Principal Addition Amounts (in addition to the aggregate of (i) all realised losses on the Loans which are not recovered from the proceeds following the sale of the Property to which such Loan relates and (ii) any loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Loan (together, the "Losses")) will be recorded first on the OC Principal Deficiency Sub-Ledger until the balance of the OC Principal Deficiency Sub-Ledger is equal to the aggregate Current Balance of the Loans in the Portfolio as at the Original Cut-Off Date minus the sum of the Principal Amount Outstanding of the Rated Notes and the Class Z Notes as at the Closing Date, next on the Class Z Principal Deficiency Sub-Ledger until the balance of the Class Z Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class Z Notes then outstanding, and next on the Class E Principal Deficiency Sub-Ledger until the balance of the Class E Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class E Notes then outstanding, and next on the Class D Principal Deficiency Sub-Ledger until the balance of the Class D Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class D Notes then outstanding, and next on the Class C Principal Deficiency Sub-Ledger until the balance of the Class C Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class C Notes then outstanding, and next on the Class B Principal Deficiency Sub-Ledger until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class B Notes then outstanding, and next on the Class A Principal Deficiency Sub-Ledger until the balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, any principal deficiencies (should they arise) will be recouped from Available Revenue Receipts and the application of any Reserve Fund Drawings (subject to the satisfaction of the Reserve Fund Conditions) to meet a Revenue Deficit. Available Revenue Receipts and the application of any Reserve Fund Drawings (in respect of the Rated Notes Principal Deficiency Sub-Ledgers only and subject to the satisfaction of the Reserve Fund Conditions) will be applied, after meeting prior ranking obligations as set out under the Pre-Enforcement Revenue Priority of Payments, to credit 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, sixth, the Class Z Principal Deficiency Sub-Ledger and seventh, the OC Principal Deficiency Sub-Ledger. In addition, to the extent that the Rated Notes have not been redeemed in full on any Interest Payment Date falling on or after the Optional Redemption Date, amounts of Available Revenue Receipts applied as Enhanced Amortisation Amounts, being any remaining Available Revenue Receipts after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments until the Principal Amount Outstanding of the Rated Notes has been reduced to zero. Any Available Revenue Receipts applied as Enhanced Amortisation Amounts will be recorded as a credit to the Principal Deficiency Ledger. The balance standing to the credit of the Principal Deficiency Ledger as a result of Enhanced Amortisation Amounts (if any) shall be reduced to the extent of any future Losses arising in respect of the Portfolio.

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 Available Revenue Receipts, the application of any Reserve Fund Drawings (subject to the satisfaction of the Reserve Fund Conditions), and Available Redemption Receipts 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 Available Revenue Receipts and Available Redemption Receipts to repay the Notes on or prior to the Final Maturity Date of the Notes.

### ***Interest Rate Risk***

The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans and the rate of interest payable in respect of the Notes. The majority of the Loans in the Portfolio pay interest based on the Bank of England base rate ("**BBR**"). A small percentage pay interest based on three-month LIBOR or on a standard variable rate. However, the Issuer's liabilities under the Rated Notes are based on one-month LIBOR for the relevant period. The Issuer will not enter into any swap agreement in respect of the difference between the standard variable rate and interest payable on the Notes.

The Issuer has not entered into any interest rate swap or other hedging transaction in relation to the Loans and as a result there is no hedge in respect of the risk of any variances in the Floating Mortgage Rate (being referable mainly to BBR or to three-month LIBOR) charged on any Loans in the Portfolio and interest set by reference to the one-month LIBOR (the "**Reference Rate**") on the Notes which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders and the Secured Creditors. As such, the Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans and the rate of interest payable in respect of the Notes.

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

The yield to maturity on the Notes will depend on, among other things, the amount and timing of payment of principal and interest on the Loans. Prepayments on the Loans may result from early repayment of the Loans by the relevant Borrower (whether through refinancing or otherwise), 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. 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.

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. However, the rate of payment cannot be predicted. Subject to the terms and conditions of the Loans, a Borrower may "overpay" or prepay principal at any time. No assurance can be given as to the level of prepayments that the Portfolio will experience. Accelerated prepayments will lead to a reduction in the weighted average life of the Notes. Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease, borrowers (in particular those paying by reference to a fixed interest rate, where there are no or minimal associated early repayment charges) are generally more likely to prepay their mortgage loans. Borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action taken). In addition should a Borrower elect, subject to the agreement of the Servicer, to change the terms of their Loan from an Interest-only Loan to a Repayment Loan, the Issuer would receive principal payments in respect of the relevant Loan earlier than would otherwise be anticipated. If the Seller is required to repurchase a Loan and its Related Security or make a payment in lieu of such repurchase because, for example, one of the Loans does not materially comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of all the relevant Loans. As a result of these and other relevant factors not being within the control of the Issuer, no assurance can be given as to the timing or level of redemptions of the Notes.

Payments and prepayments of principal on the Loans will be applied, *inter alia*, to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Enforcement Redemption Priority of Payments (see "*Cashflows*" below). Investors should be aware that the initial Collection Period will commence on (and include) 26 January 2015 and end on (and include) the Cut-Off Date falling in April 2015. This initial Collection Period is longer than subsequent Collection Periods and as a result, Collections in the initial Collection Period (and, as a consequence, Available Revenue Receipts and Available Redemption Receipts for application on the first Interest Payment Date) are

likely to be higher than subsequent Collection Periods and are likely to lead to a higher rate of redemption on the Class A Notes than on other Interest Payment Dates.

The Issuer may, subject to certain conditions, redeem all of the Notes on any Interest Payment Date on or after the Optional Redemption Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date. The Seller is not required to repurchase the Portfolio and the Issuer is not required to accept any such offer to repurchase. As such, no assurance can be given that the Notes will be redeemed in full on or following the Optional Redemption Date as a result of a repurchase of the Portfolio by the Seller or on any Interest Payment Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date. In addition, the Issuer may, in certain circumstances and 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 in respect of the Notes or as a result of certain illegality events. This may adversely affect the yield to maturity on the Notes.

Further, the Majority Certificateholder has the option pursuant to Residual Certificates Condition 8, to elect to purchase the Loans from the Issuer on any Interest Payment Date falling on or after the Optional Redemption Date at a price equal to the Majority Certificateholder Portfolio Purchase Option Price. On an Interest Payment Date on which all conditions to completion of the Majority Certificateholder Portfolio Purchase Option will have been satisfied, the Majority Certificateholder Portfolio Purchase Option Purchase Price will be applied in accordance with the Pre-Enforcement Priority of Payments and will result in the Notes being redeemed in full. However the Majority Certificateholder does not have an obligation to exercise its rights in respect of the Majority Certificateholder Portfolio Purchase Option and as such, no assurance can be given that the Notes will be redeemed in full and the Residual Certificates cancelled on or following the Optional Redemption Date as a result of a sale of the Portfolio.

Additionally, on any Interest Payment Date following the occurrence of a Risk Retention Regulatory Change Event, the Retention Holder (or its nominee) has the right (but not an obligation) pursuant to the Risk Retention Letter to purchase the Loans and their Related Security from the Issuer, and thereby effect a redemption of the Notes. The exercise of this right may adversely affect the yield to maturity on the Notes.

### ***Absence of secondary market***

There is currently a limited secondary market for the Notes, and no assurance is provided that an active and liquid secondary market for the Notes will develop further. 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 out under "*Subscription and Sale*" and "*Transfer Restrictions and Investor Representations*". To the extent that a secondary market exists or develops further, 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 the Final Maturity Date.

### ***Ratings of the Rated Notes***

The ratings of the Rated Notes address the likelihood of full and timely payment to the holders of the Rated Notes of all payments of interest (including any Step-Up Margin on the Class A Notes but not, for the avoidance of doubt, any Additional Note Payments) on each Interest Payment Date and the ultimate payment of principal on or before the Final Maturity Date of the Rated Notes. The Class Z Notes and the Subordinated Notes will not be rated by the Rating Agencies.

The ratings of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes do not address the likelihood of receipt of any amount in respect of Additional Note Payments.

The expected ratings of the Rated Notes to be assigned on the Closing Date are set out under "*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 agency if, in its judgement, circumstances (including a reduction in the perceived creditworthiness of third parties, including a reduction in the credit rating of the Issuer Account Bank) in the future so warrant. See also "*Change of counterparties*" below.

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

Rating agencies other than the Rating Agencies could seek to rate the Rated Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Rated Notes by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value of the Rated 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 Rating Agencies only.

As highlighted above, the ratings assigned to the Rated Notes by each Rating Agency are based on, among other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Issuer Account Bank. In the event one or more of these transaction parties are downgraded below the requisite ratings trigger, 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 Rated 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 Rated Notes and, as a consequence, the resale price of the Rated Notes in the market and the prima facie eligibility of the Rated Notes for use in certain liquidity schemes established by, *inter alios*, the Bank of England.

#### ***Rating Agency confirmation in relation to the Rated Notes in respect of certain actions***

The terms of certain Transaction Documents provide that certain actions to be taken by the Issuer and/or the other parties to the Transaction Documents are contingent on such actions not having an adverse effect on the ratings assigned to the Rated Notes. In such circumstances, the Note Trustee or the Security Trustee may require the Issuer to seek confirmation from the Rating Agencies that certain actions proposed to be taken by the Issuer and the Note Trustee, or, as the case may be, the Security Trustee will not have an adverse effect on the then current ratings of the Rated Notes (a "**Rating Agency Confirmation**").

A Rating Agency Confirmation that any action or inaction proposed to be taken by the Issuer or the Note Trustee or as the case may be, the Security Trustee will not have an adverse effect on the then current ratings of the Rated Notes does not, for example, confirm that such action (i) is permitted by the terms of the Transaction Documents or (ii) is in the best interests of, or not prejudicial to, the Noteholders of the Rated Notes. While entitled to have regard to the fact that the Rating Agencies have confirmed that the then current ratings of the Rated Notes would not be adversely affected, the above does not impose or extend any actual or contingent liability on the Rating Agencies to the Secured Creditors (including the Noteholders of the Rated Notes), the Issuer, the Note Trustee, the Security Trustee or any other person or create any legal relationship between the Rating Agencies and the Secured Creditors (including the Noteholders of the Rated Notes), the Issuer, the Note Trustee, the Security Trustee or any other person whether by way of contract or otherwise. In addition the Note Trustee and/or the Security Trustee, as applicable, may, but is not required to, have regard to any Rating Agency Confirmation.

Any such Rating Agency Confirmation may or may not be given at the sole discretion of each Rating Agency. Certain Rating Agencies have indicated that they will no longer provide Rating Agency Confirmations as a matter of policy. To the extent that a Rating Agency Confirmation cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the

provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions. It should be noted that, depending on the nature of the request, the timing of delivery of the request and of any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Rating Agency Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. A Rating Agency Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A Rating Agency Confirmation represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

Where the Transaction Documents allow the Note Trustee or the Security Trustee to seek a Rating Agency Confirmation and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer and (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts, then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by a director certifying and confirming that each of the events in sub-paragraphs (i) (A) or (B) and (ii) has occurred, the Issuer having sent a written request to each Rating Agency. Where a Rating Agency Confirmation is a condition to any action or step under any Transaction Document and it is deemed to be modified as a result of a Non-Responsive Rating Agency not having responded to the relevant request from the Issuer within 30 days, there remains a risk that such Non-Responsive Rating Agency may subsequently downgrade, qualify or withdraw the then current ratings of the Rated Notes as a result of the action or step. Such a downgrade, qualification or withdrawal to the then current ratings of the Rated Notes may have an adverse effect on the value of the Rated Notes.

***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 (or if no Notes remain outstanding, of the Residual Certificates then in issue) 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 Residual Certificates then in issue) shall (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction), give an Enforcement Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued interest thereon as provided in a trust deed between the Issuer, the Security Trustee and the Note Trustee (the "**Trust Deed**").

Each of the Note Trustee and the Security Trustee may, at any time, at their discretion and without notice, take such 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 (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including the Conditions and the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) the other Transaction Documents to which it is a party or in respect of which (in the case of the Security Trustee) it holds security. In respect of and at any time after the service of an Enforcement Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security. However, neither the Note Trustee nor the Security Trustee shall be bound to take any such proceedings or steps (including, but not limited to, the giving of an Enforcement Notice in accordance with Condition 11 (*Events of Default*) or Residual Certificates Condition 11 (*Events of Default*)) unless it should have been directed to do so by the

holders of the Most Senior Class of Notes (or if no Notes remain outstanding, of the Residual Certificates then in issue) and it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

See further "*Terms and Conditions of the Notes – Condition 12 (Enforcement)*" and "*Terms and Conditions of the Residual Certificates – Condition 12 (Enforcement)*" below.

In addition, each of the Note Trustee and the Security Trustee benefit from indemnities given to them by the Issuer pursuant to the Transaction Documents which rank in priority to the payments of interest and principal on the Notes.

In relation to the undertakings to be given by the Retention Holder and the Seller in the Risk Retention Letter in accordance with the CRR, AIFM Regulation and the Solvency II Regulation regarding the material net economic interest to be retained by the Retention Holder in the securitisation and (in respect of CRR only) certain requirements as to providing investor information in connection therewith, neither the Note Trustee nor the Security Trustee will be under any obligation to monitor the compliance by the Retention Holder with such covenant and will not be under any obligation to take any action in relation to non-compliance with such covenant unless and until the Note Trustee or the Security Trustee has received actual written notice of the same from any party to any Transaction Document (a "**Transaction Party**"), in which event the only obligation of the Note Trustee or the Security Trustee shall be to notify the Issuer (who shall notify the Noteholders and the other Secured Creditors of the same) and, subject to the Note 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 holders of the Most Senior Class of Notes.

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

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 requisite majority for such vote).

The Conditions and the Residual Certificates Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders, the Certificateholders or the other Secured Creditors, to (a) any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions, the Residual Certificates Conditions or any of the Transaction Documents which is not, in the opinion of the Note Trustee, or, as the case may be, the Security Trustee, materially prejudicial to the interests of the Noteholders or, if there are no Notes outstanding, the Certificateholders or (b) any modification which, in the opinion of the Note Trustee, or, as the case may be, the Security Trustee, is of a formal, minor or technical nature or to correct a manifest error. The Conditions and Residual Certificates Conditions also specify that certain categories of amendments (including changes to majorities required to pass resolutions or quorum requirements) would be classified as Basic Terms Modifications. Investors should note that a Basic Terms Modification is required to be sanctioned by an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or the Residual Certificates then in issue, as applicable which are affected by such Basic Terms Modifications unless the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and the holders of the Residual Certificates then in issue. The Note Trustee and/or the Security Trustee may also, without the consent of the Noteholders or the Certificateholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders or if no Notes are outstanding, the Certificateholders, at any time authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions or the Residual Certificates Conditions. See "*Terms and Conditions of the Notes – Condition 13 (Meetings of Noteholders, Modification, Waiver and Substitution)*" and "*Terms and*

*Conditions of the Residual Certificates – Residual Certificates Condition 13 (Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution)" below.*

Further, the Note Trustee and/or the Security Trustee (as the case may be) may also be obliged, in certain circumstances, to agree to amendments to the Conditions and/or the Transaction Documents for the purpose of enabling the Issuer or any of the other Transaction Parties to comply with FATCA (a "**Proposed Amendment**"), without the consent of Noteholders pursuant to and in accordance with the detailed provisions of Condition 13.6.

In relation to any such Proposed Amendment, the Issuer is required to give at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes. However, Noteholders should be aware that, in relation to each Proposed Amendment, unless Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification, the modification will be passed without Noteholder consent.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless 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*).

In addition, the Note Trustee and/or the Security Trustee (as the case may be) shall, in the case of a modification relating to the appointment of a Designated Reporting Entity for the purposes of complying with the Article 8b Requirements (an "**Article 8b Amendment**") and subject to the more detailed provisions of Condition 13.6, be obliged to agree to amendments to the Conditions and/or the Transaction Documents without the consent of Noteholders.

Neither the Note Trustee nor the Security Trustee shall 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 (i) 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 (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions.

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

### ***Rights of Noteholders, Certificateholders and Secured Creditors***

#### ***Conflict between Noteholders***

The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of all Classes of Noteholders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise). The Deed of Charge contains provisions requiring the Security Trustee (subject to being indemnified and/or secured and/or prefunded) to act on the instructions of the Note Trustee.

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 the 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 relevant affected Class of Notes ranking in priority to other relevant Classes of Notes in the Pre-Enforcement Redemption Priority of Payments (disregarding, for such purposes, items (g) and (h) of the Pre-Enforcement Redemption Priority of Payments).

As a result, holders of Notes other than the Most Senior Class of Notes may not have their interests taken into account by the Note Trustee or the Security Trustee when the Note Trustee exercises discretion.

In addition, prospective investors should note that the Trust Deed provides that no Extraordinary Resolution of the holders of a Class of Notes, other than the holders of the Most Senior Class of Notes, shall take effect for any purpose while the Most Senior Class of Notes remains outstanding unless such Extraordinary Resolution shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes or the Note Trustee is of the opinion it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes.

For certain purposes, including the determination as to whether the Class Z Notes or the Subordinated Notes are deemed outstanding for the purposes of convening a meeting of Noteholders or voting at Noteholder meetings or by way of written resolution, the Class Z Notes or the Subordinated Notes (as applicable) which are for the time being held by or on behalf of or for the benefit of the Seller, as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding except where all of the Class Z Notes or Subordinated Notes (as applicable) are held by or on behalf of or for the benefit of the Seller, in which case the Class Z Notes or the Subordinated Notes (as applicable) shall be deemed to remain outstanding.

Prospective investors should note that the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder may purchase some or all of any of the Notes (other than, with respect to the Seller, the Class Z Notes and the Subordinated Notes) and/or the Residual Certificates, and in doing so, will not be prevented from being entitled to attend meetings of the Noteholders and/or the Certificateholders or vote at Noteholder and/or Certificateholder meetings or by way of written resolution (as applicable). The interests of the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder may conflict generally with that of the other Noteholders and/or Certificateholders, and the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder are not required to vote in any particular manner.

#### ***Conflict between Noteholders, Certificateholders and other Secured Creditors***

So long as any of the Notes 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 Condition 13.5 and Residual Certificates Condition 13.5.

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

#### ***Risks related to the Mortgages***

##### ***Claims against third parties***

The Seller has assigned its causes and rights of actions against solicitors and valuers to the Issuer pursuant to the Mortgage Sale Agreement, to the extent that they are assignable (the Seller itself having been assigned such rights from the Bridge Issuer and indirectly from the Original Seller pursuant to the terms of the Alba Mortgage Sale Agreement). However neither the Seller, the Bridge Issuer, nor the Original Seller was the originator of the related Loan, and the said rights may therefore not have been effectively assigned to the



Original Seller by the previous legal title holder, and the said rights may not have been effectively assigned thereafter to the Seller, the Bridge Issuer and the Issuer. The Issuer may therefore not have any direct rights against any solicitors or valuers who, when acting for the relevant Originator in relation to the origination of any Loan, may have been negligent or fraudulent. However, if the Issuer (acting in good faith) alleges a breach by the solicitor or valuer of the terms of its appointment or negligence in the performance by the solicitor or valuer of its duties under the appointment, and the solicitor or valuer claims that the rights assigned to the Issuer are incapable of being assigned or that the assignment or assignation is not binding on the relevant solicitor or valuer or that the solicitor or valuer does not owe a duty of care to the Issuer, the Seller will indemnify the Issuer against any and all losses incurred by the Issuer as a result of any negligence or breach of contract by the relevant solicitor or valuer. The Seller is a special purpose vehicle with limited assets and funds and as such will, after having satisfied its obligations to pay its secured creditors, have limited resources available to it to repurchase any Loans if required pursuant to the terms of the Mortgage Sale Agreement or to make any indemnity payments under the Mortgage Sale Agreement or any other Transaction Document. No assurance can be given that the Seller will always have the resources to comply with this undertaking in such a way that provides adequate protection to the Issuer or at all and additionally, the Seller has no obligation to repurchase any Loans in breach of any Loan Warranty or make any payment in lieu of such repurchase beyond the Optional Redemption Date (please also see the section headed "*Limited Resources of the Seller*" below). Any failure by or inability of the Issuer to take action against third parties may have an adverse effect on the Issuer's ability to make payments of interest and/or principal in respect of the Notes.

***Legal Title Holder to retain legal title to the Loans and risks relating to set-off***

The Seller only has a beneficial or (in relation to the Scottish Loans) contractual interest in the Loans and their Related Security. Legal title to the Loans is held by the Legal Title Holder. The sale by the Seller to the Issuer of the English 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 the Seller (as contractual owner) directing the Legal Title Holder to hold the Scottish Loans and their Related Security on trust pursuant to a Scottish Declaration of Trust by the Legal Title Holder in favour of the Issuer. By virtue of the Scottish Declaration of Trust, the beneficial interest in such Scottish Loans and their Related Security is held on trust by the Legal Title Holder for the benefit of the Issuer. 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.

This means that legal title to the Loans and their Related Security in the Portfolio will remain with the Legal Title Holder until certain perfection trigger events occur under the terms of the Servicing Agreement (see "*Summary of the Key Transaction Documents – Servicing Agreement*", below). The Issuer has not applied, and prior to the occurrence of a Perfection Event will not apply, to the Land Registry to register or record its equitable interest in the English Mortgages and will not 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.

Further, unless (i) notice of the assignment was given to the Borrowers in respect of the English Loans and their Related Security, and (ii) an assignation of the Scottish Loans and their Related Security is effected by the Legal Title Holder to the Issuer and notice thereof is then given to the Borrowers in respect of the Scottish Loans and their Related Security, equitable or independent set-off rights may accrue in favour of any Borrower against his or her obligation to make payments to the Legal Title Holder under the relevant Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights any applicable Borrower may become entitled to after the transfer. Where notice of the assignment or assignation is given to any 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. For further information on the

effects of set-off in relation to the Portfolio, see below "*Set-off may adversely affect the value of the Portfolio or any part thereof*".

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 Holder 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 Legal Title Holder of its contractual obligations or from fraud, negligence or mistake on the part of the Seller or the Legal Title Holder or any of its respective personnel or agents.

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 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 Legal Title Holder or legal lender of record. However, the Legal Title Holder will undertake, pursuant to the Servicing Agreement, and the Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to it in respect of relevant Loans to the order of the Issuer.

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

For so long as the Legal Title Holder holds legal title to the Loans and their Related Security, the Servicer covenants that it shall, if the Issuer or the Security Trustee so requires (by written notice to the Servicer), the Servicer will, at the sole cost and expense of the Issuer, join in any legal proceedings in relation to any Loan and/or its Related Security, and the Servicer will have power of attorney to act in the name of the Issuer, in respect of which please see the section entitled "*The Loans – Characteristics of the Loans – Title to the Portfolio*" for further details.

#### ***Set-off 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 will be given effect by an assignment and the sale of the Scottish Loans and their Related Security being 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 Holder until the occurrence of a Perfection Event or the termination of the appointment of the Servicer under the terms of the Servicing Agreement. Therefore, the rights of the Issuer may be subject to certain set-off rights which the relevant Borrower has against the Legal Title Holder.

The Borrowers may be entitled to exercise certain independent or equitable set-off rights against the Issuer. Subject to the paragraph below in relation to the crystallisation of rights of set-off by Borrower's following receipt of notice of assignment, independent set-off will arise in connection with transactions that are unconnected with the relevant Borrower's Loan. Generally, an independent right of set-off could include, but is not limited to, claims by a Borrower for unpaid wages, pension liabilities or balances standing to the credit of savings and deposit accounts (though the Seller will represent and warrant that the Borrowers are not employees of the Legal Title Holder). An independent right of set-off could also arise where the legal title holder of the Loans is a credit institution and the relevant borrower holds an unconnected deposit account with the legal title holder. However, the Legal Title Holder is not a deposit-taking institution and is not authorised to hold client money as at the date of this Prospectus.

Equitable set-off rights may arise in connection with a transaction connected with the Loan. An equitable right of set-off could arise where the Seller or the Legal Title Holder (or lender of record) or the Originator

of the relevant Loan has failed to make a Further Advance to the Borrower having made a commitment to do so where the Seller or the Legal Title Holder (or the lender of record) or the Originator of the relevant Loan has agreed to Port a Loan or becomes bound to agree to a Port in accordance with the relevant Mortgage Conditions or where the Seller or the Legal Title Holder (or lender of record) or the Originator of the relevant Loan is in breach of contract under the relevant Loan. The Seller will represent and warrant in the Mortgage Sale Agreement that the terms and conditions of the Loans contain no obligation on the part of the Seller or the Legal Title Holder to make any Further Advance or a Port.

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 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. Independent set-off rights against the relevant Originator would have crystallised on notice of transfer of the Loan to the Original Seller and against the Original Seller on notice of transfer to the Legal Title Holder. Set-off rights arising under "transaction set-off" (being those set-off claims arising out of a transaction connected with the Loan) will not be affected by that notice and will continue to exist.

The relevant Borrower may set off any claim for damages arising from the relevant Originator, Original Seller or Legal Title Holder's breach of contract against the Legal Title Holder and the Issuer's (as equitable assignee of or holder of the beneficial interest in the Loans and their Related Security) 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 amount of any such claim against the Legal Title Holder for equitable set-off will, in many cases, be the cost to the Borrower of finding an alternative source of funds. For example in the case of a failure by the Legal Title Holder to make a Further Advance having become bound to do so, the Borrower could set off against the Issuer any additional cost of funding incurred in borrowing an amount equal to the relevant Further Advance. In addition, where the Legal Title Holder has failed to effect the Port, having committed to do so, the Borrower could set off against the Issuer the difference between the rate of interest on the Loan and the interest rate at which the Borrower could borrow money in the market on the new property. In addition to the difference in the cost of borrowing, the relevant Borrower could also set off any direct losses arising from the Legal Title Holder's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees). However, the Seller will represent and warrant in the Mortgage Sale Agreement that the amount of each Loan has been fully advanced to the Borrower and the Mortgage Documents contain no obligation on the part of the Seller or the Legal Title Holder to make any Further Advance or a Port, and, in the Servicing Agreement, the Servicer, as Legal Title Holder, undertakes with the Issuer and the Security Trustee that if the Servicer receives an application from a Borrower requesting a Further Advance or a Port in relation to a Loan in the Portfolio, it shall consider the application in accordance with the relevant Mortgage Conditions but shall not agree to grant a Further Advance or a Port on behalf of the Issuer without the Issuer's prior written consent.

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 relevant Originator, Original Seller or Legal Title Holder's breach of contract where there are special circumstances communicated by the Borrower to the relevant Originator 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) a decree is obtained.

The exercise of set-off rights by Borrowers may adversely affect the timing of receipt and ultimate amount received by the Issuer in respect of the relevant Loans and the realisable value of the Portfolio and/or the ability of the Issuer to make payments under the Notes.

### ***Characteristics of the Portfolio***

The information in the section headed "*Characteristics of the Provisional Portfolio*" has been extracted from the systems of the Servicer as at the Portfolio Reference Date. The Portfolio as at the Portfolio Reference Date comprised of 2,004 Loans with an aggregate current balance calculated by reference to the current balance of each loan as at the Portfolio Reference Date of £273,466,570.96. The Portfolio will be sold to the Issuer on the Closing Date and will (other than those Loans and their Related Security that have been disclosed in the Mortgage Sale Agreement as being in breach of certain Loan Warranties, as to which please see the section headed "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Representations and Warranties*") comply with the Loan Warranties as at the Closing Date.

### ***Servicing and Third Party Risk***

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

The Issuer is also a party to contracts with a number of other third parties who have agreed to perform services in relation to the Issuer and/or Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Issuer Account Bank has agreed to provide the Issuer Account to the Issuer pursuant to the Bank Account Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to 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 or if such a party resigns without a sufficiently experienced substitute or any substitute being appointed in their place promptly thereafter, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

The Transaction Documents do not contain any restrictions on the ability of any third party providing services to the Issuer to change their business plans and strategies and access other business lines or markets after the Closing Date. Any changes of the business plans and strategies of a third party service provider could expose that third party to additional risks (including regulatory, operational and systems risk) which could have an adverse effect on the ability of the third party to provide services to the Issuer and consequently could have an adverse effect on the Issuer's ability to perform its obligations under the Notes.

#### ***The Servicer***

Pepper (UK) Limited will be appointed by the Issuer as Servicer to service the Loans and their Related Security. If the Servicer breaches the terms of the Servicing Agreement, then (prior to the delivery of an Enforcement Notice and with the prior written consent of the Security Trustee) the Issuer or (after delivery of an Enforcement 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, provided that, if at such time Pepper (UK) Limited is both the Servicer and the Legal Title Holder, the termination of the appointment of the Servicer shall not take effect until the Legal Title Holder no longer holds legal title to the Loans and their Related Security.

The aggregate liability of the Servicer in respect of any claim arising out of or in connection with the Transaction Documents shall, except in respect of the Servicer's fraud, Gross Negligence or wilful default in the performance of its obligations under the Servicing Agreement, (i) be limited to £6,000,000 and £1,500,000 on an annual basis for so long as the Servicer is appointed under the Servicing Agreement and (ii) not include any claim for any indirect or consequential loss or damage (including any loss of revenue, profits, goodwill or business), whether in contract, tort (including negligence).

In the event that the Issuer suffers a loss in respect of the Portfolio, or becomes liable to a third party, in each case as a result of any claim arising out of or in connection with the performance (or non-performance) of the Servicer's duties and obligations under the Servicing Agreement and the Servicer is liable to the Issuer for such acts or omissions pursuant to the terms of the Servicing Agreement, any loss over and above the liability cap set out in the Servicing Agreement (to the extent enforceable under applicable law and other than as a result of the fraud, Gross Negligence or wilful default of the Servicer or that of its officers, directors or employees) may be irrecoverable by the Issuer. This may result in less proceeds being available to meet the obligations of the Issuer in respect of the Notes.

Any change in Servicer could delay collection of payments on the Loans and ultimately could adversely affect the ability of the Issuer to make payments in full on the Notes.

If a Servicer Termination Event occurs, there can be no assurance that a substitute servicer with sufficient experience of servicing the Loans and their Related Security would be found who would be willing and able to service the Loans and their Related Security 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 and their Related Security 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.

In addition, Noteholders should be aware that the Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion.

For further details on the arrangements with the Servicer, please see "*Summary of the Key Transaction Documents – Servicing Agreement*" below.

### ***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 Issuer 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 the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria set out in the relevant Transaction Documents and as described in this Prospectus, 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 and principal on the Rated Notes and Additional Note Payments in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and/or lead to a downgrade in the ratings of the Rated Notes.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria (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 may not be required in relation to such amendments and/or waivers.

***Certain material interests and potential for conflicts***

Certain of the parties to the transaction have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Issuer, the Seller and the Retention Holder in the ordinary course of business. Other parties to the transaction may also perform multiple roles. Accordingly, conflicts of interest may exist or may arise as a result of parties having previously engaged or in the future engaging in transactions with other parties, having multiple roles or carrying out other transactions for third parties. The parties to the transaction may, pursuant to the Transaction Documents, be replaced by one or more new parties. It cannot be excluded that such a new party could also have a potential conflicting interest, which might ultimately have a negative impact on the ability of the Issuer to perform its obligations in respect of the Notes.

***Certain conflicts of interest involving or relating to the Lead Manager and its affiliates***

Credit Suisse Securities (Europe) Limited and its affiliates (the "**Credit Suisse Parties**") will play various roles in relation to the offering of the Rated Notes, including acting as the structurer of the transaction and in other roles described below.

The Lead Manager will purchase the Rated Notes from the Issuer on the Closing Date and resell them in individually negotiated transactions at varying prices, which may result in a lower fee being paid to the initial purchaser in respect of those Rated Notes. The Credit Suisse Parties may also assist clients and counterparties in transactions related to the Rated Notes (including assisting clients in future purchases and sales of the Rated Notes and hedging transactions) and such Credit Suisse Parties would expect to earn fees and other revenues from these transactions.

The Credit Suisse Parties are part of a global investment banking and securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes, without limitation, corporations, financial institutions, governments and high net worth individuals. As such, they actively make markets in and trade financial instruments for their own account and for the accounts of customers in the ordinary course of their business. The Credit Suisse Parties and/or their clients may have positions in or may have arranged financing in respect of the Notes or the Loans in the Portfolio and may have provided or may be providing investment banking services and other services to the other transaction parties or the Originators of the Loans.

In particular, prospective investors should note that certain Credit Suisse Parties have held positions in the Portfolio following the origination of the Loans and their Related Security by their respective Originators and arranged (and provided bridge financing prior to) the securitisation issued by the Original Seller. Prospective investors should also note that certain Credit Suisse Parties provided financing to the Bridge Issuer to fund the purchase of the Loans and their Related Security which will be purchased by the Seller and sold to the Issuer on the Closing Date. As such, the proceeds of the issuance of the Notes will be paid by the Issuer to the Seller, and subsequently by the Seller to the Bridge Issuer in the consideration for such Loans and their Related Security on the Closing Date. Other than where required in accordance with applicable law, the Credit Suisse Parties have no obligation to act in any particular manner as a result of their prior involvement with the Portfolio and any information relating thereto.

With respect to the repayment of the financing provided to the Bridge Issuer, each of the Credit Suisse Parties will act in its own commercial interest. Each Credit Suisse Party may also act in its own commercial interest in its various capacities without regard to whether its interests conflict with those of the holders of the Notes, the Residual Certificates or any other party.

The Credit Suisse Parties may act as lead manager, arranger, placement agent and/or initial purchaser or investment manager in other transactions involving issues of residential mortgage backed securities or other

investment funds with assets similar to those of the Issuer, which may have an adverse effect on the price or value of the Notes. The Credit Suisse Parties do not disclose specific trading positions or their hedging strategies, including whether they are in long or short positions in any Notes or obligations referred to in this Prospectus except where required in accordance with applicable law.

In the ordinary course of business, the Credit Suisse Parties and employees or customers of the Credit Suisse Parties may actively trade in and/or otherwise hold long or short positions in the Notes or enter into transactions similar to or referencing the Notes for their own accounts and for the accounts of their customers. If any of the Credit Suisse Parties becomes an owner of any of the Notes, through market-making activity or otherwise, any actions that it takes in its capacity as owner, including voting, providing consents or otherwise will not necessarily be aligned with the interests of other owners of the Notes. To the extent any of the Credit Suisse Parties makes a market in the Notes (which it is under no obligation to do), it would expect to receive income from the spreads between its bid and offer prices for the Notes. In connection with any such activity, it will have no obligation to take, refrain from taking or cease taking any action with respect to these transactions and activities based on the potential effect on an investor in the Notes. The price at which any of the Credit Suisse Parties may be willing to purchase Notes, if it makes a market, will depend on market conditions and other relevant factors and may be significantly lower than the issue price for the Notes and significantly lower than the price at which it may be willing to sell the Notes.

### ***The Portfolio***

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

The Seller will represent and warrant that as at the Portfolio Reference Date, not more than 10.20 per cent. of the Portfolio by Current Balance comprises Loans which have an arrears balance which is greater than or equal to the value of the Monthly Instalment payable immediately before the Portfolio Reference Date. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Although interest rates are currently 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 (and analogous arrangements) 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 relevant Originator on or about the time of origination of each Loan, and, in certain circumstances, an updated valuation of a Property may have been obtained or determined by the relevant Originator, see "*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. The court has a wide discretion and may adopt a sympathetic attitude towards a Borrower faced with eviction. Any possession order given in favour of the lender may be suspended to allow the Borrower more time to pay. In addition, if 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.

### ***Credit Impairments***

The Portfolio comprises certain Loans made to Borrowers who as of the Portfolio Reference Date may have impairments to their credit profile, such as a county court judgment (or a Sheriff Court decree, being the Scottish equivalent of a county court judgment), an individual voluntary arrangement or a bankruptcy order. Loans made to Borrowers with credit impairments may experience higher rates of delinquency, write-offs and enforcement than have historically been experienced by mortgage loans made to borrowers without credit impairments and therefore carry a higher degree of risk.

In addition, whilst the underwriting standards of originators generally 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 and those underwriting standards are used with a view, in part, to mitigating the risks in lending to borrowers, the Seller was not the originator of the Loans and therefore has limited knowledge as to the origination and lending policies used by the relevant Originator in relation to the Loans.

### ***Increases in prevailing market interest rates may adversely affect the performance of the Portfolio***

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

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) 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 rates and higher losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and/or principal on the Notes.

### ***Declining property values***

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

The Issuer cannot guarantee that the value of a property will remain at the same level as on the date of origination of the related Loan. A fall in property prices resulting from the deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem 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.

Borrowers may have insufficient equity in their homes to refinance their Loans with lenders other than the Seller and may (as a result of the circumstances described in "*Delinquencies or Default by Borrowers in paying amounts due on their Loans*" or otherwise) have insufficient resources to pay amounts in respect of their loans as and when they fall due. This could lead to higher delinquency rates and to losses which in turn may adversely affect payments on the Notes.



### ***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 in 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 the sale of such Properties. 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 in the Provisional Portfolio, see "*Characteristics of the Provisional Portfolio – Region.*".

### ***Interest-only Loans***

Each Loan in the Portfolio may be repayable either on a capital repayment basis or an interest-only basis (see "*The Loans – Repayment Terms*" below). 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, it is generally recommended that borrowers 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 ability of such Borrower to repay an Interest-only Loan at maturity will often depend on such Borrower's ability to refinance or sell the Property or to obtain funds from another source such as pension policies, personal equity plans, Individual Savings Accounts or endowment policies (the "**Policies**"). The Seller does not have and the Issuer shall not have the benefit of any Policies taken out by Borrowers. The only security that exists will therefore be the Mortgage covering the Property. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the Borrower's age and employment status, the financial condition and payment history of the Borrower, tax laws and prevailing general economic conditions. In recent times, mortgage lenders have maintained stricter conditions to the advancing of interest-only loans (and other loans) which are mortgages. The inability of the Borrowers to refinance their respective Properties may ultimately result in a reduction of amounts available to the Issuer and adversely affect its ability to make payments under the Notes.

Borrowers of interest-only loans may not make payment of the premiums due on any relevant investment or life policy taken out in relation to repayment of the relevant interest only mortgages in full or on time, which policies may therefore lapse, and/or no further benefits may accrue thereunder. In certain cases, the policy may be surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not be 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 – Repayment Terms*" below) 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 any Policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest-only Loan and a loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured from Available Revenue Receipts being applied for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments.

As a result of recent UK government attention, borrowers with interest-only loans which are mortgages have been encouraged to switch to a repayment loan, whereby the principal of the loan is repaid over its term. Should a Borrower elect, subject to the consent of the Legal Title Holder and the Servicer, to amend the terms of its Loan from an Interest-only Loan to a Repayment Loan, the relevant Loan would remain with the Issuer as part of the Portfolio, resulting in the Issuer and Noteholders receiving redemption payments on the

relevant Loan and the relevant Notes respectively, earlier than would otherwise be the case. See further "*Risk Factors – Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*" above.

### ***Self-Certified Loans***

Some of the Loans in the Portfolio are loans in respect of which income and employment details of the relevant Borrower are not substantiated by supporting documentation (such loans being "**Self-Certified Loans**"). Self-Certified Loans may suffer higher rates of delinquencies, enforcements and losses from Loans in respect of which supporting documentation has been provided in respect of the income or employment details of the Borrower, which such delinquencies, enforcements and losses may lead to a reduction in amounts available to the Issuer and, ultimately, affect its ability to make payments under the Notes.

### ***Buy-To-Let Loans***

Some of the Loans in the Portfolio are residential loans taken out by a Borrower in relation to the purchase or re-mortgage of a property for letting purposes (a "**Buy-To-Let Loan**") in relation to which the Borrower's ability to service such Loans is likely to depend on the Borrower's ability to lease the relevant Properties on appropriate terms. There can be no assurance that each such 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 obligations or capital repayments in respect of the Loan. Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of the Property, in which case the Servicer will only be able to sell the 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 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 Mortgages) include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the Property and apply them accordingly in payment of any interest and arrears accruing under the Loan. Under Scots law, a receiver cannot be appointed under a 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). Accordingly, in Scotland, any attempt to secure the rental flows will depend upon the enforcement of the standard security.

### ***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), 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) (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) 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), (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) 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, 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 relation to each Right to Buy Loan, as far as the Seller is aware, either (a) (i) the relevant Originator was, at the time of the origination of the Loan, an approved lending institution or, in Scotland, a recognised lending institution under the relevant legislation or had adequate title insurance to protect against such risk, (ii) the Right to Buy Loan was made to the person exercising the right to buy, and (iii) the Right to Buy Loan was made for the purposes of enabling the Borrower to purchase or refinance the relevant Property, or (b) the Seller has the benefit of Right to Buy Insurance in respect of such Right to Buy Loan.

### ***Insurance Policies***

The Mortgage Conditions require borrowers to have buildings insurance for the relevant Property. However, it will be difficult in practice for the Servicer and/or the Issuer to determine whether the relevant Borrower has valid insurance in place at any time. However, no assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts or contingent 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 make payment of interest and/or principal in respect of the Notes.

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

Neither the Note Trustee, the Security Trustee, the Retention Holder, the Arranger, the Lead Manager (or any of their respective affiliates) 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 (see "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" below for a summary of these). 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. Although the Seller will give certain representations and warranties in respect of the Loans sold by it, the Seller was not the originator of any of the Loans comprised in the Portfolio and acquired its interest in the Loans and their Related Security on 26 January 2015 under a mortgage portfolio sale agreement entered into on 20 January 2015, among others, by the Original Seller and the Seller (the "**Alba Mortgage Sale Agreement**") in respect of the Loans, pursuant to which the Original Seller did not provide any representations and warranties in respect of the Loans and their Related Security.

The Seller does not have direct knowledge as to whether certain Loan Warranties (including the Loan Warranties which relate to the origination process) are correct or not. Accordingly since the Seller does not have direct knowledge as to matters relating to the actual origination of the Loans, it may not have actual knowledge of any relevant matters which give rise to a breach of warranty. Therefore, certain warranties relating to, amongst other things, the origination process are necessarily qualified by reference to the awareness of the Seller. It may be practically difficult for the Seller to detect a breach of warranty in respect of the Loans sold by it to the extent that the same relates to a matter outside of the immediate knowledge of the Seller, as there is no ongoing active involvement of the Originators of the Loans to monitor or notify any defect in relation to the circumstances of the Loans. The Servicer will have limited obligations to monitor

compliance with the Loan Warranties following the Closing Date. To the extent that the Servicer detects any breach of the Loan Warranties, the Servicer shall inform the Issuer and the Security Trustee of such breach, however neither the Servicer, the Seller nor the Issuer will monitor compliance with the Loan Warranties. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date which breach is not remedied in accordance with the Mortgage Sale Agreement, will be to require the Seller to repurchase any relevant Loan and its Related Security or make a payment in lieu of repurchase in accordance with the provisions in the Mortgage Sale Agreement. However, there can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement as to which see further "*Risk Factors – Limited Resources of the Seller*", below and it should be noted that the Seller is not required to gross-up payments under the Mortgage Sale Agreement and payments it makes will be inclusive of VAT. Further, the Seller shall have no obligation to repurchase any Loans in breach of any Loan Warranty or make any payment in lieu of such repurchase unless the Issuer has given the Seller notice of the event giving rise to the obligation to repurchase before the Optional Redemption Date. In each case, none of the Issuer, the Security Trustee or the Note Trustee, the Arranger, the Lead Manager, the Noteholders, the Certificateholders or any other secured party will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligations.

The Seller did not originate the Loans and therefore no assurance can be given that the Lending Criteria were applied at the time of origination of the Loans or that different criteria were applied.

#### ***No additional sources of funds after the Optional Redemption Date***

From the Optional Redemption Date, Additional Note Payments will be payable in respect of 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 prior to the Optional Redemption Date will be increased. In such circumstances the Issuer may not have sufficient funds to pay all amounts of interest (including any Step-Up Margin on the Class A Notes) and Additional Note Payments.

#### ***Limited Resources of the Seller***

The Seller will agree, pursuant to the Mortgage Sale Agreement to repurchase Loans and their Related Security or make payments in lieu of such repurchase in certain circumstances (as more particularly set out in "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" below). This obligation will be subject to a time limitation and will not extend beyond the Optional Redemption Date. In addition, as a practical matter, the ability of the Seller to make any payments in relation to such repurchases or in lieu of such repurchases or otherwise discharge its liabilities under the Mortgage Sale Agreement or any other Transaction Document will be limited.

The Seller is a special purpose vehicle with limited assets and funds and as such will, after having satisfied its obligations to pay its secured creditors, have limited resources available to it to repurchase any Loans if required pursuant to the terms of the Mortgage Sale Agreement or to make any indemnity payments under the Mortgage Sale Agreement or any other Transaction Document. The obligations of the Seller are not guaranteed nor will they be the responsibility of any person other than the Seller, and, as such neither the Issuer nor the Security Trustee will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet its repurchase obligations under the Mortgage Sale Agreement during the period between the Closing Date and the Optional Redemption Date or otherwise fails to discharge its obligations to make or to make any indemnity payments under the Mortgage Sale Agreement or any other Transaction Document.

The Issuer has also agreed that it will not take any action to wind up the Seller or initiate similar proceedings. This may affect the ability of the Issuer to exercise effectively certain rights under the Mortgage Sale Agreement. The Retention Holder is under no obligation to put the Seller in funds for the

purposes of funding a repurchase, payment in lieu of repurchase or otherwise. Therefore in the event that any Loan is found to be in breach of the Loan Warranties, the Seller may have limited funds available to it to effect a repurchase of the relevant Loan or a payment in lieu of such repurchase, which may have an adverse effect on the Issuer's ability to make payments on the Notes.

### ***Certain Regulatory considerations***

#### *FCA Regulation of Mortgage Business*

In the United Kingdom, regulation of residential mortgage business under the FSMA came into force on 31 October 2004 (the date known as "N(M)"). Residential mortgage lending under the FSMA is regulated by the FCA (which, together with the PRA, was, prior to 1 April 2013, known as the FSA). Subject to certain exemptions, entering into, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under the FSMA requiring authorisation and permission from the FCA.

A credit agreement is a "**Regulated Mortgage Contract**" under the FSMA if, at the time it is entered into on or after N(M), (a) the borrower is an individual or trustee, (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage (or Scottish first ranking standard security) on land (other than timeshare accommodation) in the UK and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust or by a related person (broadly, the borrower's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse). In general, buy-to-let credit agreements entered into on or after N(M) should not be Regulated Mortgage Contracts.

On and from N(M), subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a Regulated Mortgage Contract as lender; (b) administering a Regulated Mortgage Contract ("**administering**" in this context broadly means notifying borrowers of changes in mortgage payments and/or collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging in respect of Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as the Legal Title Holder) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards by whom promotions can be issued or approved) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on: (a) determining whether any credit arises or whether any applicable financial limit of the CCA is exceeded; (b) determining whether the credit agreement or any part of it falls within the definition of a Regulated Mortgage Contract; (c) determining whether the credit agreement is an exempt agreement (for example, certain types of credit agreement to finance the

purchase of, or alteration to, homes or business premises, or Regulated Mortgage Contracts under the FSMA, or certain buy-to-let credit agreements); or (d) changes to credit agreements.

The Servicer holds authorisation and permission to enter into and to administer 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 Seller and the Issuer are not, and do not propose to be, authorised persons 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 authorisation and permission under the FSMA. If such a servicing agreement terminates, however, the Issuer will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FSMA authorisation and permission.

In addition the Issuer is not required to be authorised by the FCA under Part 4A of the FSMA in order to hold beneficial title to the Loans. As at the Closing Date the Issuer will only hold beneficial title to the Loans. In the event that legal title is transferred to the Issuer upon the occurrence of a Perfection Event, in respect of consumer credit, the Issuer expects that it will be exempt from carrying on a regulated activity under article 60B(2) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, on the basis that the Issuer will have appointed a servicer in respect of the Loans and the Issuer is not expected to grant credit. Consumer credit will likely fall within the exemption under paragraph 55 of the Financial Services and Markets Act 2000 (Exemption) Order 2001; as such the Issuer will not require, and does not propose to obtain, authorisation under Part 4A of 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 N(M), no variation has been or will be made to the Loans 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.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**"), which sets out rules under the FSMA for regulated mortgage activities, was published 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. Further rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, came into force on 31 October 2004.

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

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts are not regulated by the CCA. Certain regulations made in 2005 and 2008 under the FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after N(M) and credit agreements made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) and constitutes a separate Regulated Mortgage Contract. A court order under section 126 of the CCA is, however, necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a Regulated Mortgage Contract to the extent that the credit agreement would, apart from the exemption referred to above, be regulated by the CCA or treated as such. Where a credit agreement is regulated by the CCA or treated as such, any failure to comply may render the contract unenforceable (in some cases without a court order) as to which see further "*Risk Factors – Consumer Credit Act 1974*" below.

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 certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller will, upon receipt of notice from the Issuer, and subject to the expiry of applicable cure periods, be liable to repurchase the relevant Loans and their Related Security from the Issuer in accordance with the Mortgage Sale Agreement.

Credit agreements that were entered into before N(M), but are subsequently changed such that a new contract is entered into on or after N(M), are regulated under the FSMA where they fall within the definition of "Regulated Mortgage Contract".

In June 2010, the FSA made changes to MCOB which effectively converted previous guidance on the policies and procedures to be applied by authorised firms (such as the Legal Title Holder) 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 (among other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA indicated that it did not expect each forbearance option referred to in these 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 may not have been contemplated as at the date of this Prospectus or the Transaction Documents) in respect of one or more Loans and their Related Security. 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.

Changes in the regulatory structure of the United Kingdom's financial services industry came into effect on 1 April 2013 when the new regulator, the FCA, replaced the previous regulator, the FSA, in relation to the regulation of residential mortgage business under the FSMA. It remains to be seen if the FCA may adopt a more stringent approach towards the regulation of residential mortgage business than that adopted by the FSA.

*Changes to mortgage regulation and to the regulatory structure in the United Kingdom may adversely affect payments on the Notes*

In January 2011, HM Treasury announced proposals to enhance consumer protection in the mortgage market. Regulations have been drafted to provide for consumer protection when a mortgage book is sold by a regulated mortgage lender to an unregulated entity. In this regard, it is proposed that the definition of the regulated activity of administering a Regulated Mortgage Contract will be expanded so that any entity which exercises specified rights in relation to Regulated Mortgage Contracts, such as changing interest rates or taking action to repossess a property against a borrower, will be required to be authorised and regulated under the FSMA.

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, *inter alia*, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that generally came into force on 26 April 2014 with transitional arrangements where, among other things, the borrower does not take on additional borrowing.

These rules have, for example, imposed more stringent requirements on lenders to assess the affordability of a loan made to a borrower and to verify the income of a borrower.

In relation to interest-only loans that are not buy-to-let loans, the mortgage market review introduced rules that require relevant institutions, with effect from 26 April 2014, to obtain evidence (with permitted exceptions) that a borrower will have in place a clearly understood and credible payment strategy and that the payment strategy has the potential to repay the principal at the end of the term of an interest-only loan.

In December 2012, the Financial Services Act 2012 received royal assent. This Act contains provisions which (among other things) on 1 April 2013 replaced the FSA with the PRA, which is responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and the FCA, which is responsible for conduct of business. This Act also contains provisions enabling the transfer of regulatory authority (including consumer credit regulation) from the Office of Fair Trading (the "OFT") to the FCA. The relevant secondary legislation was enacted in 2013 and 2014 and the transfer was effected on 1 April 2014.

Under the Financial Services Act 2012: (a) the carrying on of servicing activities in certain circumstances by a person exercising the rights of the lender without FCA permission to do so renders the credit agreement unenforceable, except with FCA approval; and (b) from dates to be specified, the FCA will have power to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules. This Act also provides for formalised cooperation to exist between the FCA and the Ombudsman (as described below), particularly where issues identified potentially have wider implications, with a view to the FCA requiring affected firms to operate consumer redress schemes.

Any further changes to MCOB arising from the FCA's mortgage market review, or to MCOB or the FSMA arising from HM Treasury's proposals to change mortgage regulation or changes in the regulatory structure, may adversely affect the Loans, the Legal Title Holder, the Issuer, the Servicer and their respective businesses and operations.

#### *Consumer Credit Act 1974*

The regulator for credit agreements regulated by the Consumer Credit Act 1974, as amended (the "CCA") was the OFT before 1 April 2014, which issued licences and guidance on conduct of business under the CCA, and is the FCA from 1 April 2014, which issues authorisation and permission and rules and guidance on conduct of business under the FSMA. The FCA is also the regulator for Regulated Mortgage Contracts under the FSMA.

A credit agreement is regulated where (a) the borrower is or includes an "individual" (which includes certain small partnerships and certain unincorporated associations), (b) if the credit agreement was made before the financial limit was removed (as described below), the amount of "credit" as defined in the CCA did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date, and (c) the credit agreement is not an exempt agreement.

Any credit agreement that is wholly or partly regulated by the CCA/FSMA or treated as such must comply with requirements under the CCA and/or FSMA as to licensing or authorisation of lenders and brokers, documentation and origination procedures of credit agreements and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that the credit agreement is regulated by the CCA/FSMA or treated as such, it is unenforceable against the borrower (a) without an order of the FCA or the court, if the lender or any broker did not hold the required licence or authorisation at the relevant time, (b) totally, if the credit agreement was made before 6 April 2007 and if the form of such credit agreement was not signed by the borrower personally or omits or mis-states a "prescribed term" or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability of the lender.



Recharacterisation as a loan regulated by the CCA poses the following risks:

- A court order under section 126 of the CCA is necessary to enforce a land mortgage (including in Scotland, a standard security) securing a credit agreement to the extent that the credit agreement is regulated by the CCA or treated as such. In dealing with such application, the court has the power, if it appears just to do so, to amend the credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared). Any such amendment or conditions could change the repayment profile and/or amounts recoverable from the Borrowers and may adversely impact the Issuer's ability to make payments on the Notes.
- Under section 75 of the CCA, in certain circumstances the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by a credit agreement that is wholly or partly regulated by the CCA or treated as such, where the credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person (under FSMA) of a rule under FSMA. From 1 April 2014, such rules include rules in the Consumer Credit sourcebook ("**CONC**"). The lender may also be entitled to a statutory indemnity from the supplier against such liability, subject to any agreement between the lender and the supplier. The borrower may set off the amount of the claim against the lender against the amount owing by the borrower under the loan or under any other loan agreement that the borrower has taken with the lender (or exercise analogous rights in Scotland). Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

#### *Consumer Credit Act 2006*

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 updates and amends the CCA as follows.

Under the CCA 2006, the "extortionate credit" regime has been replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements, except Regulated Mortgage Contracts under the FSMA. If the court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the Originator, or any assignee such as the Issuer, to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's and the lender's conduct before and after making the agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR (as defined below). The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

The financial limit of £25,000 for CCA regulation is removed for credit agreements made on or after 6 April 2008, except for certain changes to credit agreements, and except for buy-to-let loans made before 31 October 2008. Buy-to-let loans made on or after 31 October 2008 are, irrespective of amount, exempt agreements under the CCA. Regulations define buy-to-let loans for these purposes as being credit agreements secured on land where less than 40 per cent. of the floor area of the secured property is used, or is intended to be used, as or in connection with a dwelling by the borrower or by a connected person. A court order under section 126 of the CCA is, however, necessary to enforce a land mortgage (or, in Scotland, a standard security) securing a buy-to-let loan to the extent that the loan would, apart from this exemption, be regulated by the CCA or treated as such.

To the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period in which the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period in which the lender fails to comply with further requirements as to periodic statements and arrears notices, (b) the borrower is not liable to pay interest or, in certain cases, default fees for any period in which the lender fails to comply with further requirements as to post-contract disclosure, and (c) interest upon default fees is restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. Early repayment charges are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or is treated as such. A more restrictive formula applies generally to all such credit agreements made on or after 11 June 2010.

These changes to the CCA may result in adverse effects on the enforceability of certain Loans and consequently the Issuer's ability to make payment in full on the Notes when due.

The Originators and the Original Seller have had to interpret 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 Ombudsman (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.

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, and if the default cannot be or is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller will, upon receipt of notice from the Issuer, be liable, subject to the expiry of applicable cure periods, to repurchase the relevant Loan(s) and their Related Security from the Issuer.

### *Mortgage Directive*

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers (the "**Mortgage Directive**"). The Council of the European Union adopted the Mortgage Directive on 28 January 2014 (Directive 2014/17/EU) and it was published in the official journal of the European Union on 28 February 2014. It entered into force twenty days after such publication and Member States will be required to implement the Mortgage Directive into national law by 21 March 2016.

The Mortgage Directive aims to create an EU-wide mortgage credit market with a high level of consumer protection and it applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a member state of the EU (a "**Member State**") on residential immovable property, or secured by a right relating to residential immovable property; (b) credit agreements the purpose of which is to finance the purchase or retention of rights in land or in an existing or proposed residential building; and extends the Consumer Credit Directive (2008/48/EC) to (c) unsecured credit agreements the purpose of which is to renovate residential immovable property involving a total amount of credit above €75,000. The Mortgage Directive also applies to buy-to-let mortgages.

The Mortgage Directive requires (among other things): standard information in advertising; standard pre-contractual information; adequate explanations to the borrower on the proposed credit agreement and any ancillary service; calculation of the annual percentage rate of charge in accordance with a prescribed formula; assessment of creditworthiness of the borrower; and a right of the borrower to make early repayment of the credit agreement. The Mortgage Directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

Until the Mortgage Directive is implemented into UK law, it is too early to tell what effect the implementation of the Mortgage Directive into UK law would have on the Seller, the Legal Title Holder, the Issuer and/or the Servicer and their respective businesses and operations. However, the UK government has sought to put in place what it has described as the minimum requirements to meet its legal obligations under the Mortgage Directive in respect of buy-to-let mortgages. The UK government established in legislation a framework for 'consumer buy-to-let' mortgages ("**CBTL**"), which was laid before Parliament on 26 January 2015 and the FCA is consulting on the implementation of this new framework which will come into force from 21 March 2016. The legislation will create a new distinction between buy-to-let activity involving consumers and consumers acting by way of business. The legislation provides that firms do not need to apply the government's appropriate framework for buy-to-let mortgages where a borrower is acting wholly or predominantly for the purposes of a business. The UK Treasury has stated that they would expect CBTL activity to represent a small proportion of total buy-to-let transactions.

### ***Distance Marketing***

In the United Kingdom, 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 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received or, if later, the borrower receives the last of the prescribed information.

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 Terms in Consumer Contracts Regulations 1994 and 1999***

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

The UTCCR provide that a consumer (which would include a borrower under all or almost all of the Loans) may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term), and the lead enforcement body and any

"qualifying body" within the UTCCR (such as the FCA) may seek to enjoin (or in Scotland, interdict) a business from relying on unfair terms.

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, or price terms, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract or price terms, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees. For example, if a term permitting the lender to vary the interest rate (as the Legal Title Holder is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan agreement that the borrower has taken with the lender (or exercise analogous rights in Scotland). Any such non-recovery, claim or set-off may adversely affect the Issuer's ability to make payments on the Notes.

The lead enforcement body for the UTCCR was the OFT before 1 April 2014, and is the Competition and Markets Authority (the "CMA") from 1 April 2014. The qualifying body in relation to Regulated Mortgage Contracts and mortgage loans originated by lenders authorised under the FSMA was the FSA before 1 April 2013, and has been the FCA from 1 April 2013. The lead enforcement body was and is responsible for enforcing the UTCCR in relation to other mortgage loans.

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

In May 2005, the previous regulator, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and previously regulated by the FSA and now by the FCA in relation to products and services within the FSA's regulatory scope. This statement provides that, for locked-in borrowers (i.e. where the borrower is required to give advance notice, pay a cost or give up a benefit in order to terminate the contract), a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In the context of the OFT's investigation into credit card default fees, the OFT in April 2006 issued a statement of its view of the principles that credit card issuers should follow in setting default fees, and that the principles are likely to apply to analogous default fees in other contracts such as mortgages. The principles are in essence that terms imposing default fees should not have the object of raising more in revenue than is reasonably expected to be necessary to recover certain limited administrative costs incurred as a result of a borrower's default.

In January 2007, the previous regulator, the FSA, issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a borrower exits the mortgage. The previous regulator, the FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the Unfair Contract Terms Regulatory Guide (previously in the FSA handbook and now in the FCA handbook) came into force. This guide is designed to explain the FCA's policy on how it would use its powers under the 1999 Regulations. In January 2012, the previous regulator, the FSA published finalised guidance entitled "Unfair contract terms: improving standards in consumer contracts" and "Statement on using Switching Terms in mortgage contracts under the Unfair Terms in

Consumer Contracts Regulations 1999". Under the later guidance the FSA considered that terms in interest-only mortgage contracts that allow firms to switch consumers from an interest-only mortgage to a repayment mortgage may be regarded as unfair if they give the firm too broad a discretion to determine when such switching terms will apply. Further, where switching terms are determined to be unfair by a court, the firms will be unable to switch the consumer from an interest-only mortgage to a repayment mortgage, as such switching terms will not bind that consumer.

The May 2005, January 2007 and January 2012 guidance has recently been removed from the FCA's website because they no longer reflect the FCA's current view on unfair contract terms pending new guidance on the Consumer Rights Bill (which was passing through the UK parliament at the time and has since received Royal Assent) and in light of wider legal developments. The FCA has not indicated how it considers the material it has removed to be inconsistent with its current views, and it is not clear when the FCA expects to be in a position to update the withdrawn material. However, even with changes in regulatory structure in the United Kingdom that came into effect on 1 April 2013, the guidance issued by the FSA previously remains the most specific guidance on this topic.

MCOB rules for Regulated Mortgage Contracts require that, (a) arrears charges represent a reasonable estimate of the cost of the additional administration required as a result of the borrower being in arrears, and (b) from 25 June 2010, the borrower's payments are allocated first towards paying off the balance of any payment shortfall, excluding any interest or charges on that balance. In October 2010, the FSA issued a statement that, in its view, early repayment charges are likely to amount to the price paid by the borrower in exchange for services provided and may not be reviewable for fairness under the UTCCR, provided that they are written in plain and intelligible language and are adequately drawn to the borrower's attention. In January 2012, the FSA issued a further statement intended to raise awareness of issues that it commonly identifies under the UTCCR. As of 1 April 2013, the FCA has power to enforce the UTCCR in relation to Regulated Mortgage Contracts originated by lenders authorised under the FSMA.

In March 2013, The Law Commission and The Scottish Law Commission (together, the "**Commissions**") published advice to the UK Government on reforming the UTCCR. The Commissions recommend, among other things, that a term which specifies the main subject matter of the contract, or a price term, should only be exempt from being reviewed as to its fairness if the term is transparent and prominent. The Commissions also recommend that the UTCCR should expressly provide that, in proceedings brought by individual consumers, the court is required to consider the fairness of a term, even if the consumer has not raised the issue of unfairness, where the court has available to it the legal and factual elements necessary for that task. Such reforms are included in the Consumer Rights Bill and are due to come into force in October 2015.

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

The guidance issued by the FSA (and as of 1 April 2013, the FCA) and the OFT has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the 1999 Regulations, or reform of the 1999 Regulations, will not have a material adverse effect on the Originator, Seller, the Retention Holder, the Issuer, the Servicer or their respective businesses and operations.

### ***Financial Ombudsman Service***

Under the FSMA, the Financial Ombudsman Service (the "**Ombudsman**"), an independent adjudicator, 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, rather than strictly on the basis of compliance with law. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code, issued by the Council of Mortgage Lenders, before N(M) 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. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a monetary 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***

On 11 May 2005, the European Parliament and the Council adopted a Directive (2005/29/EC) regarding unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). Generally, this directive applies full harmonisation, which means that Member States may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, the Unfair Practices Directive permits Member States to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

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

The Unfair Practices Directive is implemented into UK law by the Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTR**"), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment. The possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreements may result in irrecoverable losses on amounts to which such agreements apply. The CPUTR do not provide consumers with a private act of redress. Instead, consumers must rely on existing private law remedies based on the law of misrepresentation and duress. The Consumer Protection (Amendment) Regulations 2014 (SI No.870/2014) was laid before Parliament on 1 April 2014 and came into force on 1 October 2014. 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. This will apply to any unregulated buy-to-let contracts in the Portfolio and any debt collection activity with regard to commercial demands for payment.

In addition, the Unfair Practices Directive 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 mortgaged 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 an alternative product, and (b) automatically capitalising a payment shortfall.

The Unfair Practices Directive provided for a transitional period until 12 June 2013 for the application of full harmonisation in the fields to which it applies. In March 2013, the European Commission published a report on the application of the Unfair Practices Directive, which indicated (among other things) that there is no case for further harmonisation in the fields of financial services and immovable property. No assurance can be given that the implementation of the Unfair Practices Directive into UK law and any further

harmonisation will not have a material adverse effect on the Loans or on the manner in which they are serviced and accordingly on the ability of the Issuer to make payments to Noteholders.

### ***Mortgage repossession***

A protocol for mortgage repossession cases in England and Wales came into force on 19 November 2008 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 came into force on 30 September 2010 and 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 the 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.

The protocol in these Acts and the MCOB requirements for mortgage possession cases may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and a lower repayment rate on the Notes.

### ***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.

At present, title to a residential property that is recorded in the General Register of Sasines will usually only require to be moved to the Land Register of Scotland (a process known as 'first registration') when that property is sold or if the owner decides voluntarily to commence first registration. However, the 2012 Act provides additional circumstances which, when brought into effect, 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 would extend to any assignation granted by the Legal Title Holder 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 Servicing Agreement following a Perfection Event (a "**Scottish Sasine Transfer**")).

The relevant provisions of the 2012 Act setting out these additional circumstances are not currently in force but have recently been the subject of a public consultation paper issued on 14 July 2014. The Registers of Scotland published a report on the consultation on 15 February 2015 which has provided some clarity on the

timing and practical effect of the introduction of these provisions. Principally, the report confirms that the General Register of Sasines will be closed to the recording of standard securities by the end of 2015. For the time being, other deeds such as assignments of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines indefinitely (due to a lack of consensus amongst respondents to the consultation on whether other types of deeds should trigger first registration) although the Registers of Scotland have reserved the right to consult further on this issue in the future.

Although not yet confirmed, the intended commencement date of these provisions (the "**Commencement Date**") relating to standard securities will be announced at least 6 months in advance to allow lenders and their advisers time to plan for the change in the registration system and only standard securities created over properties recorded in the General Register of Sasines after the Commencement Date should be affected. 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.

However, if a Perfection Event occurs following the Commencement Date then an application to record a Scottish Sasine Sub-Security in relation to Scottish Mortgages in the Portfolio (following the transfer of legal title to such Scottish Mortgages by way of a Scottish Sasine Transfer) could trigger a first registration in the Land Register of Scotland of the underlying Scottish Properties secured by the relevant Scottish Mortgages.

The impact of these changes to the Scottish land registration system is unlikely to be of material detriment to the Security Trustee or to the Noteholders for the following reasons: (i) the Registers of Scotland report on the consultation process indicated that whilst these changes are likely to prolong completion of the registration process, where possible they will take a pragmatic view and not burden parties (such as the Issuer, Security Trustee or the Borrower who owns the underlying Scottish Property) with unreasonable or arbitrary costs and in particular the report indicates that the Scottish Ministers intend to make an order under section 110 of the 2012 Act waiving the statutory fee for a first registration where its purpose is the granting of a standard security, which would keep the statutory cost of registering a Scottish Sasine Sub-Security in line with current statutory costs; and (ii) whilst the prolonged registration process is likely to be of practical inconvenience to the Security Trustee and the Noteholders, the validity and effectiveness of any Scottish Sasine Sub-Security would be unaffected by the change to the registration system (and the relevant Scottish Mortgages would in any event continue to be covered by the floating charge granted by the Issuer under the Deed of Charge). However, it is not unlikely that, were a Perfection Event to occur after the Commencement Date, the parties involved may still encounter increased legal and other third party costs relating to the first registration process and additional administrative burden.

As noted above, no indication has been given as to when or if the above provisions may be extended to other types of dealing with a standard security, such as assignments. However, if the General Register of Sasines becomes closed to assignments of standard securities under the same provisions at any time subsequent to the Closing Date then this would also have an impact on the registration of Scottish Sasine Transfers executed following a Perfection Event in a manner similar to Scottish Sasine Sub-Securities, with the probability of higher legal costs and a longer period required to complete registration than would currently be the case.

As noted above, such events will only occur following a Perfection Event and, given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (Registers of Scotland estimate that in December 2013 57.18% of property titles in Scotland were registered in the Land Register of Scotland), it is likely that, in relation to the current Portfolio where 5.89% of the Loans in the Portfolio by Current Balance as at the Portfolio Reference Date are located in Scotland, only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.



### ***Consultation Paper on the power of sale and residential property***

On 29 December 2009, the Ministry of Justice of the United Kingdom published a consultation paper (entitled 'Mortgages: power of sale and residential property' (CP55/09)) which contains proposals to amend the law to prevent mortgagees from selling residential properties in England and Wales without a court order or the consent of the borrower. It is not known if, and to what extent, these proposals will be enacted in the future as a matter of law. If the proposals are enacted, the ability of the mortgagee to exercise its power of sale in relation to the English Loans may be restricted and this may affect the Issuer's ability to make payments on the Notes when due. This consultation closed on 28 March 2010 and is yet to publish a response or further guidelines.

### ***Potential effects of any additional regulatory changes***

No assurance can be given that additional regulatory changes by the CMA, the FCA, the Ombudsman or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally or specifically in relation to the Legal Title Holder. Any such action or developments or compliance costs may have a material adverse effect on the Seller, the Retention Holder, 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.

### ***UK Government Schemes and Help to Buy Scheme not applicable***

The Notes are not guaranteed by or obligations of the UK Government. Also, any investment in the Notes does not have the status of a protected claim under the UK Financial Services Compensation Scheme and accordingly, the Notes will not confer any entitlement to compensation under that scheme.

In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to borrowers for the purchase of new homes. The shared equity loans were available from 1 April 2013. There are no shared equity loans included in the Portfolio. The second involves a guarantee provided by the UK Government for loans made to borrowers allowing up to a 95 per cent. loan to value ratio ("LTV"). The guarantee loans were available from 1 October 2013. The Loans in the Portfolio do not benefit from any guarantee provided under the Help to Buy Scheme and as such no Loan will have the benefit of any government guarantee or support.

### ***Insolvency legislation in the United Kingdom***

The Issuer has represented in the Transaction Documents that it will have its centre of main interests in the United Kingdom and may therefore be subject to the insolvency proceedings under the laws of England and Wales.

### ***Company voluntary arrangement and small companies moratorium***

Under the company voluntary arrangement procedure set out in the Insolvency Act 1986, certain "small companies" are permitted to seek court protection from their creditors by way of a moratorium for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State may, by order, extend or reduce the duration of either period).

A "small company" is defined by reference to whether the company meets certain tests contained in section 382(3) of the Companies Act 2006, relating to a company's balance sheet total, turnover and average number of employees in a particular period. The position as to whether or not a company is a "small company" may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State may, by regulation, also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a "small company". Accordingly, the Issuer may, at any given time, come within the ambit of the "small

companies" provisions, such that the Issuer may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

During the period for which a moratorium is in force in relation to a company, *inter alia*, no winding up may be commenced or administrator appointed to that company, no administrative receiver of that company may be appointed, no security created by that company over its property may be enforced (except with the leave of the court) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the court). In addition, if the holder of security (the "**chargee**") created by that company consents or if the court gives leave, the company may dispose of the secured property as if it were not subject to the security. Where the property in question is subject to a floating charge, the chargee will have the same priority in respect of any property of the company directly or indirectly representing the property disposed of as he would have had in respect of the property subject to the floating charge. Where the security in question is that other than a floating charge, it shall be a condition of the chargee's consent or the leave of the court that the net proceeds of the disposal shall be applied towards discharging the sums secured by the security. Further, during the period for which a moratorium is in force in respect of a company it may not make any payments with respect to debts or liabilities existing prior to the date of filing for a moratorium unless (i) there are reasonable grounds for believing the payment will benefit the company, and (ii) the payment is approved by a committee of creditors of the company if established or, if not, by the nominee of the proposed company voluntary arrangement.

Certain companies which qualify as small companies for the purposes of these provisions may be, nonetheless, excluded from being so eligible for a moratorium under the provisions of the Insolvency Act 1986 (Amendment No. 3) Regulations 2002. Companies excluded from eligibility for a moratorium include those which are party to a capital market arrangement, under which a debt of at least £10,000,000 is incurred and which involves the issue of a capital market investment. The definitions of "capital market arrangement" and "capital market investment" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10,000,000 of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The Secretary of State may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible.

Accordingly, the provisions described above will serve to limit the Security Trustee's ability to enforce the Security to the extent that: firstly, if the Issuer falls within the criteria for eligibility for a moratorium at the time a moratorium is sought; secondly, if the directors of the Issuer seek a moratorium in advance of a company voluntary arrangement; and, thirdly, if the Issuer is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the relevant time; in those circumstances, the enforcement of any security by the Security Trustee will be for a period prohibited by the imposition of the moratorium. In addition, the other effects resulting from the imposition of a moratorium described above may impact the transaction in a manner detrimental to the Noteholders.

### ***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 (including administrations or liquidations) 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. In such circumstances, the primary emphasis may be to rescue the Issuer as a going concern

which may lead to the ability to realise the Security being delayed, the value of the Security being impaired and/or conflict with the interests of the Noteholders.

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 (as noted further below), 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 (through the use of limited recourse provisions and non-petition clauses) 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 as floating charges***

The law in England and Wales 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 or assignation in security) may take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Assets (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, 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. 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 which would otherwise have been available to the Secured Creditors would be reduced by the amount of all, or a significant proportion of, any liquidation expenses which could have an adverse effect on the ability of the Issuer to make payments in respect of the Notes.

### ***Insolvency proceedings and subordination provisions***

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "**flip clauses**").

The Supreme Court of the United Kingdom has held that a flip clause as described above is valid under English law. Contrary to this, however, in parallel proceedings the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflict remain unresolved, particularly as several subsequent challenges to the U.S. decision have been settled and certain other actions which raise similar issues are pending but have not progressed for some time.

If a creditor of the Issuer or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents. In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

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

The Banking Act 2009 (the "**Banking Act**") includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including authorised deposit-taking institutions and investment firms, and powers to recognise and give effect to certain resolution actions in respect of EEA and third country institutions. Relevant transaction parties for these purposes include (the Issuer Account Bank, the Agent Bank, the Registrar, the Paying Agents and the Collection Account Bank). The tools available under the Banking Act may be used in respect of relevant institutions and, in certain circumstances, their UK established banking group companies and such tools include share and property transfer powers (including powers for partial property transfers), bail-in powers, certain ancillary powers (including powers to modify contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities. It is possible that the extended tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made and, in certain circumstances, the UK authorities may exercise broad pre-resolution powers in respect of relevant entities with a view to removing impediments to the exercise of the stabilisation tools.

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

If an instrument or order were to be made under the provisions of the Banking Act currently in force in respect of a relevant entity as described above, such instrument or order may (among other things) affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in the cancellation, modification or conversion of certain unsecured liabilities of such entity under the Transaction Documents or other modifications to such documents. In particular, modifications may be made pursuant to powers permitting (i) certain trust arrangements to be removed or modified (ii) contractual arrangements between relevant entities and other parties to be removed, modified or created where considered necessary to enable a transferee in the context of a property or share transfer to operate the transferred business effectively and (iii) in connection with the modification of an unsecured liability through use of the bail-in tool, the discharge of a relevant entity from further performance of its obligations under a contract. In addition, powers may apply to require a relevant instrument or order (and related events) to be disregarded in determining whether certain widely defined "default events" have occurred. As a result, the making of an instrument or order in respect of a relevant entity as described above may affect the ability of the Issuer to meet its obligations in respect of the Notes.

At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the entities referred to above and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made. While there is provision for compensation in certain circumstances under the Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

#### ***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 (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) 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.

#### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the "**Amending Directive**") amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the EU Savings Directive, in particular to include certain additional types of income payable on securities. The Amending Directive would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment by the Issuer in respect of the Notes were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with or introduced in order to conform to such Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

### ***UK Taxation position of the Issuer***

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (the "**Securitisation Regulations**")), and as such should be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Regulations), for so long as it satisfies the conditions of the Securitisation Regulations. However, if the Issuer does not satisfy the conditions to be taxed in accordance with the Securitisation Regulations (or subsequently does not), then profits or losses could arise in the Issuer which could have tax effects not contemplated in the cashflows for the transaction described in this Prospectus and as such adversely affect the tax treatment of the Issuer and consequently payment on the Notes.

### ***EU financial transaction tax***

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's Proposal**"), for a financial transaction tax ("**FTT**") to be adopted in certain participating Member States (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia). If the Commission's Proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

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 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 financial transaction is issued in a participating Member State.

The FTT may give rise to tax liabilities for the Issuer with respect to certain transactions (including purchases or sales of securities) if it is adopted based on the Commission's Proposal. 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 or principal than expected. To the extent that such liabilities may arise at a time when winding up proceedings have been commenced in respect of the Issuer, such liabilities may be regarded as an expense of the liquidation and, as such, be payable out of the floating charge assets of the Issuer (and its general estate) in priority to the claims of Noteholders and other secured creditors. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's Proposal. Under the Commission's Proposal, primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016. However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### ***U.S. Foreign Account Tax Compliance Act withholding may affect payments on the Notes or Residual Certificates***

While the Notes and the Residual Certificates are in global form and held within Euroclear and/or Clearstream, Luxembourg (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") will affect the amount of any payment received by the ICSDs (see the section "*Taxation – Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes and the Residual Certificates are discharged once it has made payment to, or to the order of, the ICSDs, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an IGA with the United States are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

### ***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 lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, if it would prevent such withholding or deduction and in accordance with Condition 8.6 (*Optional Redemption for Taxation or Other Reasons*), the Issuer will

in certain circumstances, appoint a Paying Agent in another jurisdiction or use reasonable endeavours to arrange for 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.

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. The Irish Stock Exchange is a recognised stock exchange for such purposes and the Notes will be treated as listed on the Irish Stock Exchange if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in Member States of the European Economic Area and are admitted to trading on the Main Securities Market of the Irish Stock Exchange. The applicability of any withholding or deduction for or on account of United Kingdom taxes in relation to payments of interest on the Notes is discussed further under "*United Kingdom Taxation*" below.

### ***European Monetary Union***

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

It is possible that, prior to the maturity of the Notes, the United Kingdom may opt into the third stage of the European Monetary Union and that the Euro may become the lawful currency of the United Kingdom (although the UK coalition government has ruled out preparing for or joining the Euro for the duration of the coalition agreement as published in full on 20 May 2010). In that event (a) all amounts payable in respect of the Notes may become payable in Euro; (b) law may allow or require the Notes to be redenominated into Euro and additional measures to be taken in respect of such Notes; and (c) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors in the Notes. It cannot be said with certainty what effect, if any, adoption of the Euro by the United Kingdom will have on investors in the Notes.

### ***Registered Definitive Notes and denominations in integral multiples***

The Notes have a denomination consisting of a minimum authorised denomination of £100,000 plus higher integral multiples of £1,000. Accordingly, it is possible that the Notes may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if Registered Definitive Notes are required to be issued, a Noteholder who holds a principal amount less than the minimum authorised denomination at the relevant time may not receive a Registered Definitive Note in respect of such holding and may need to purchase a principal amount of Notes such that their holding amounts to the minimum authorised denomination (or another relevant denomination amount).

If Registered Definitive Notes are issued, Noteholders should be aware that Registered Definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination may be particularly illiquid and difficult to trade.

### ***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 for the common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") 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 Noteholder of the Global Note 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 payments 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 participants 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*" below. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, the Security Trustee, any Paying Agent, 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.

### ***Economic conditions in the Eurozone***

Concerns relating to credit risk of sovereigns and of those entities which have exposure to sovereigns remain significant throughout the Eurozone despite easing in some Member States recently. In particular, concerns

have been raised with respect to continuing economic, monetary and political conditions in the region comprised of the Member States of the EU that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended (the "**Eurozone**"). If such concerns do not ease further and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit Rating Agency action, any default or restructuring of indebtedness by one or more Member States or institutions within those Member States and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Transaction Documents (including the Seller, the Retention Holder, the Legal Title Holder, the Servicer, the Issuer Account Bank and/or the Cash Manager) and/or any Borrower in respect of its Loan.

Given the current uncertainty and the range of possible outcomes to the conditions in the Eurozone, no assurance can be given as to the impact of any of the matters described above and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

### ***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 Rated 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.

### ***Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes***

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory position for certain investors in securitisation exposures and/or on the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Lead Manager, the Arranger or the Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory treatment of their investment on the Closing Date or at any time in the future.

In particular, investors should note that the Basel Committee on Banking Supervision ("**BCBS**") has approved significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as "**Basel III**"), including certain revisions to the securitisation framework. 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 ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**"). BCBS member countries agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements for certain requirements (e.g. the LCR requirements refer to implementation from the start of 2015, with full implementation by January 2019, and the NSFR requirements refer to implementation from January 2018). As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset-backed securities (e.g. as LCR eligible assets or not), may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements are coming for insurance and reinsurance undertakings through national initiatives, such as the Solvency II framework in Europe.

In addition, investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the notes acquired by the relevant investor. Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. With respect to the commitment of the Retention Holder to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Issuer or another relevant party (or, after the Closing Date, by the Servicer or the Cash Manager on the Issuer's behalf), please see the statements set out in the section of this Prospectus headed "*EU Risk Retention Requirements*". Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with any relevant requirements and none of the Issuer, the Servicer, the Retention Holder, the Seller, the Arranger nor any Lead Manager or any other party makes any representation that the information described above is sufficient in all circumstances for such purposes.

Prospective investors should therefore make themselves aware of the changes and requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Notes. The matters described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

### ***CRA Regulation***

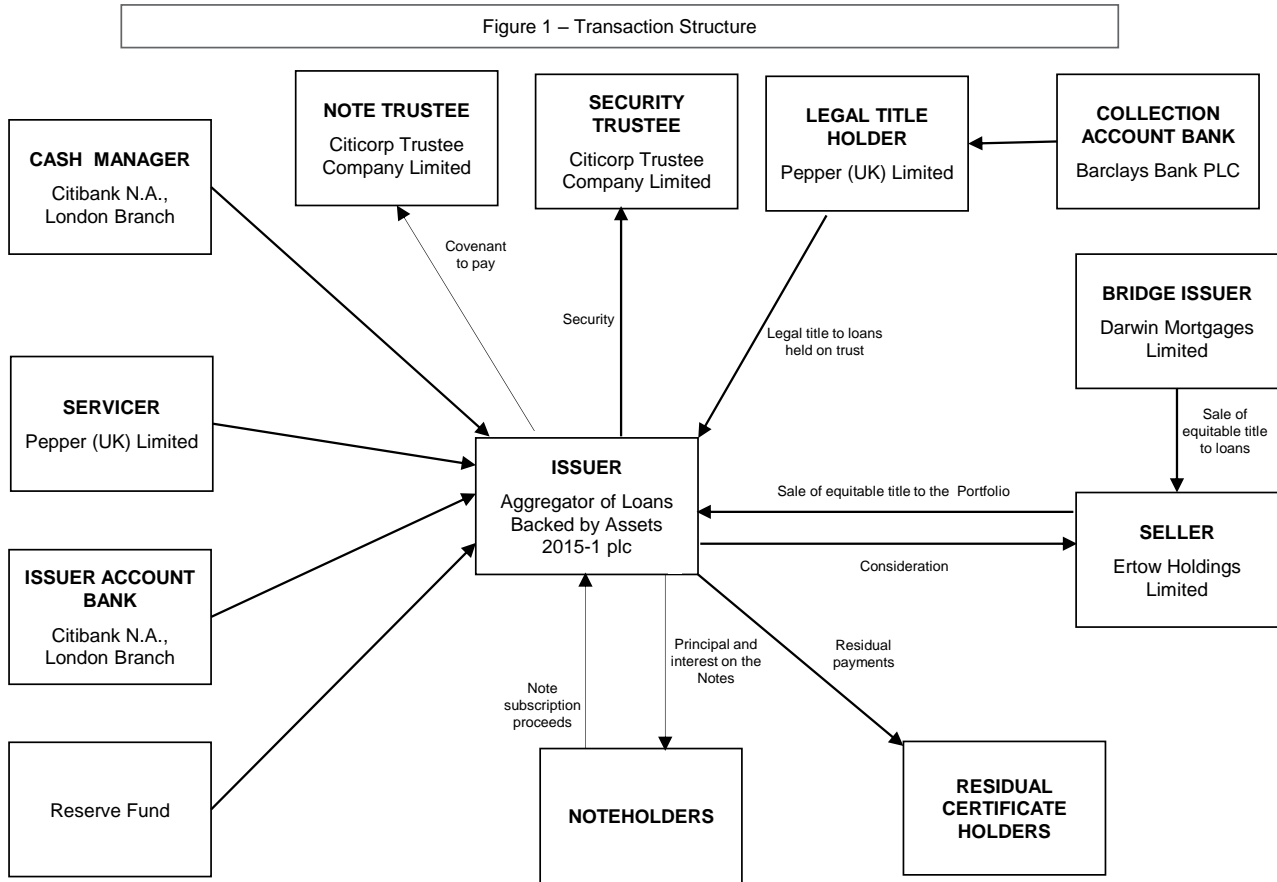
In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while 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).

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 a credit rating agency established in the European Community and registered under the CRA Regulation.

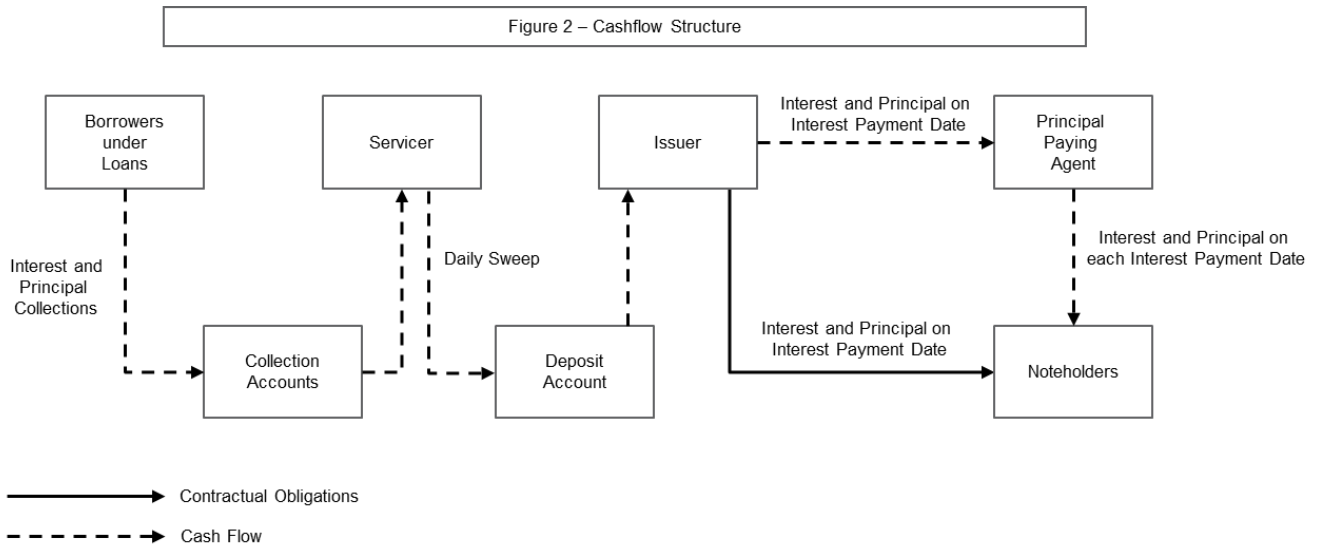
From 2017, each of the Issuer and the Retention Holder will be required to comply with any applicable requirements under Article 8b of the CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under Articles 3 to 7 of Regulation (EU) No. 2015/3) (together, the "**Article 8b Requirements**") in respect of any relevant notes issued by the Issuer. As at the date of this Prospectus, aspects of the Article 8b Requirements remain subject to further clarification.

## STRUCTURE DIAGRAMS

### DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



## DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS



The Issuer will purchase the Portfolio on the Closing Date.

## OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

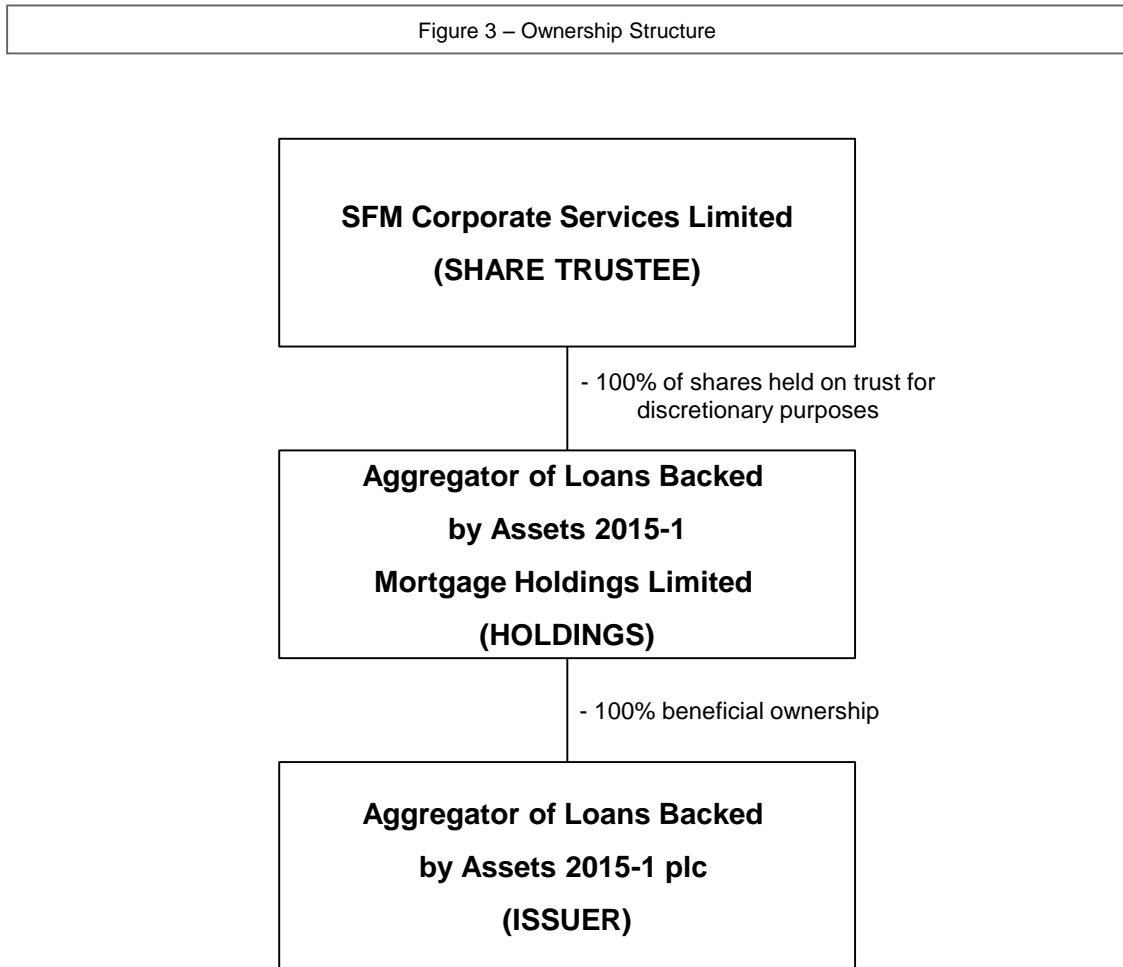


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- 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 or 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.

## TRANSACTION OVERVIEW – TRANSACTION PARTIES

*The information set out below is an overview of the transaction parties. This overview is not purported 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 Rated 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.

Details of the Originators, the Original Seller and the Bridge Issuer have (for ease of reference) been set out in this Section. However, the Originators, the Original Seller and the Bridge Issuer are not Transaction Parties.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>"Issuer"</b>	Aggregator of Loans Backed by Assets 2015-1 PLC	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
<b>"Holdings"</b>	Aggregator of Loans Backed by Assets 2015-1 Mortgage Holdings Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
<b>"Seller"</b>	Ertow Holdings Limited	Pinnacle 2, EastPoint Business Park, Dublin 3, Ireland	See the sections entitled " <i>Summary of the Key Transaction Documents – Mortgage Sale Agreement</i> " and " <i>The Seller</i> " for further information.
<b>"Retention Holder"</b>	Burlington Loan Management Limited	Pinnacle 2, EastPoint Business Park, Dublin 3, Ireland	See the section entitled " <i>Retention Holder</i> " for more information.
<b>"Servicer" and "Legal Title Holder"</b>	Pepper (UK) Limited	114a Cromwell Road, London SW7 4ES	Servicing Agreement by the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " and " <i>The Servicer and the Legal Title Holder</i> " for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>"Cash Manager"</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Cash Management Agreement by, <i>inter alios</i> , the Issuer. See the sections entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " and " <i>The Cash Manager</i> " for further information.
<b>"Issuer Account Bank"</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The Bank Account Agreement by the Issuer, the Issuer Account Bank and the Security Trustee. See the sections entitled " <i>Summary of the Key Transaction Documents – The Bank Account Agreement</i> " and " <i>Issuer Account Bank</i> " for further information.
<b>"Collection Account Bank"</b>	Barclays Bank PLC	One Churchill Place, London E14 5HP	The Collection Account Agreement. See the section entitled " <i>Summary of the Key Transaction Documents – The Collection Account Agreement</i> " and " <i>The Collection Account Bank</i> " for further information.
<b>"Security Trustee"</b>	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Deed of Charge. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " for further information.
<b>"Note Trustee"</b>	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Trust Deed. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</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 section entitled " <i>Terms and Conditions of the Notes</i> " for further information.



<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
"Registrar"	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	In respect of the Notes and Residual Certificates, the Agency Agreement, by the Issuer. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
"Corporate Services Provider"	Structured Finance Management Limited	35 Great St. Helen's, London, EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings. See the section entitled " <i>The Corporate Services Provider</i> " for further information.
"Share Trustee"	SFM Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	Share Trust Deed by the Share Trustee.
"Arranger"	Credit Suisse Securities (Europe) Limited	One Cabot Square, London E14 4QJ	Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
"Lead Manager"	Credit Suisse Securities (Europe) Limited	One Cabot Square, London E14 4QJ	Subscription Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
The Originators, the Bridge Issuer and the Original Seller are not a party to any of the Transaction Documents			
"Originators" and each an "Originator"	Amber Homeloans Ltd (" <b>Amber</b> ")	The Bailey, Skipton, North Yorkshire, BD23 1DN	N/A. See the section entitled " <i>The Originators</i> " for further information.
	Edeus Mortgage Creators Limited (" <b>Edeus</b> ")	KPMG LLP, One Snowhill Queensway, Birmingham, B4 6GH	N/A. See the section entitled " <i>The Originators</i> " for further information.
	Kensington Mortgage Company Limited (" <b>Kensington</b> ")	Reading International Business Park, Basingstoke Road, Reading, Berkshire RG2 6DB	N/A. See the section entitled " <i>The Originators</i> " for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
	GMAC-RFC Limited (currently known as Paratus AMC Limited) (" <b>GMAC-RFC</b> ")	5 Arlington Square, Downshire Way, Bracknell, Berkshire, RG12 1WA	N/A. See the section entitled " <i>The Originators</i> " for further information.
" <b>Original Seller</b> "	Alba 2013-1 plc	First Island House, Peter Street, St. Helier, Jersey	N/A.
" <b>Bridge Issuer</b> "	Darwin Mortgages Limited	35 Great St. Helen's, London EC3A 6AP	N/A.

## 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 their Related Security which will be sold by the Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement.

The English Loans and their Related Security are governed by English law the Northern Irish Loans and their Related Security and governed by Northern Irish law and the Scottish Loans and their Related Security are governed by Scots law.

The Loans have been originated by the Originators and the equitable title to the Loans and their Related Security has (prior to the sale thereof to the Issuer pursuant to the terms of the Mortgage Sale Agreement), been acquired by the Seller from the Bridge Issuer. The Bridge Issuer prior to the date hereof had acquired equitable title to the English Loans and Northern Irish Loans and their Related Security from the Original Seller. The Bridge Issuer prior to the date hereof had acquired the beneficial interest in the Scottish Loans and Related Security from the Original Seller by way of a Scots law declaration of Trust declared by the Legal Title Holder in favour of the Bridge Issuer at the direction of the Original Seller (the "**Existing Scottish Trust**").

The sale by the Seller to the Issuer of each English Loan and its Related Security and each Northern Irish Loan and its Related Security in the Portfolio will be given effect by an equitable assignment.

The sale by the Seller to the Issuer of each Scottish Loan and its Related Security in the Portfolio will be given effect by a declaration of trust by the Legal Title Holder in favour of the Issuer at the direction of the Seller granted, on the Closing Date (the "**Scottish Declaration of Trust**") following the release of such Scottish Loans and their Related Security from the Existing Scottish Trust, which release is given effect automatically under the terms of the Existing Scottish Trust by the acquisition of such Scottish Loans and their Related Security by the Seller from the Bridge Issuer.

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. The terms "**repurchase**" and "**repurchased**" when used in this Prospectus in connection with a Loan and its Related Security shall be construed to include (A) the repurchase of the equitable interest of the Issuer in respect of such Loan and its Related Security (to the extent that it is an English Loan or a Northern Irish Loan) and the repurchase of the beneficial interest in respect of such Loan and its

Related Security (to the extent that it is a Scottish Loan) under the Scottish Declaration of Trust and the release of such Loan and its Related Security from the Scottish Declaration of Trust and (B) the purchase by the Seller of such Loan and its Related Security from the Issuer pursuant to the terms of the Mortgage Sale Agreement.

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 relevant individual or individuals specified as borrowers in respect of a Loan or the individual or individuals (if any) from time to time assuming an obligation to repay (under a guarantee or otherwise) such Loan or any part of it (collectively, the "**Borrowers**" and each a "**Borrower**") and the Issuer will not apply to the Land Registry or the Registers of Scotland to register or record its equitable or beneficial interest in the English Mortgages or Northern Irish Mortgages or take any steps to complete or perfect its title to the Scottish Mortgages. Prior to the occurrence of a Perfection Event or the termination of the appointment of the Servicer, the legal title to each Loan and its Related Security in the Portfolio will be held by the 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 Registers of Scotland (as appropriate)) will pass to the Issuer.

**Features of the Loans:**

Except as otherwise indicated, the following is a summary of certain features of the Loans comprising the Provisional Portfolio determined by reference to the features of each loan in the Provisional Portfolio as at 31 December 2014 (the "**Portfolio Reference Date**") and investors should refer to, and carefully consider, further details in respect of the Loans set out in the sections of this Prospectus entitled "*The Loans*" and "*Characteristics of the Provisional Portfolio*". The Loans comprise loans to non-conforming Borrowers and are secured by first priority charges or (in Scotland) first ranking standard securities over freehold, heritable and leasehold properties in England, Wales, Northern Ireland or Scotland.

Type of Borrower	Non-Conforming
Type of mortgage	Repayment, Interest Only, Part Repayment and Part Interest Only
Self-Certified Loans	Yes
First time buyer Loans	Yes
Right to Buy Loans	Yes
Buy-To-Let	Yes
Fast Track	No
Number of loans in the Provisional Portfolio	2,004

Originator		Number of Loans	Percentage of aggregate Current Balance of the Loans as at the Portfolio Reference Date
Amber Homeloans Ltd (" <b>Amber</b> ")		39	1.73%
Edeus Mortgage Creators Limited (" <b>Edeus</b> ")		923	52.39%
Kensington Mortgage Company Limited (" <b>Kensington</b> ")		19	0.89%
GMAC-RFC Limited (currently known as Paratus AMC Limited) (" <b>GMAC-RFC</b> ")		1023	44.99%
	Average	Minimum	Maximum
Current Balance	£136,460.36	£466.35	£1,467,259.93
	Weighted Average	Minimum	Maximum
Current LTV	84.57%	0.83%	105.66%
Seasoning (years)	7.88	6.25	12.81
Remaining Term (years)	14.11	0	32.24

**Consideration:**

The consideration from the Issuer to the Seller in respect of the sale of the Portfolio shall be: (a) the initial consideration in an amount equal to £265,469,000.00, which is due and payable on the Closing Date (the "**Initial Consideration**") and (b) deferred consideration consisting of the Residual Payments in respect of the Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates to be issued by the Issuer and delivered to the Seller on the Closing Date.

**Certificateholders**

Any Residual Payment will be paid to the Certificateholder in accordance with the Pre-Enforcement Revenue Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.

The "**Current Balance**" of a Loan means, on any date, the aggregate balance of the Loan at such date (but without double counting) including:

- (a) the original principal amount advanced to the relevant Borrower, together with any Further Advance made prior to the relevant date, in each case secured or intended to be secured by the related Mortgage and which has not been paid, repaid or prepaid by the

relevant Borrower; and

- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has not been paid by the relevant Borrower and 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, Accrued Interest and Arrears of Interest) 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,

on the basis of the start of day position on such date (which for the avoidance of doubt is inclusive of any interest rate accrual amount relating to the previous month or otherwise that has been applied on such day but is exclusive of any other payments or postings on such date).

**Representations and Warranties:**

The Seller will make certain Loan Warranties regarding the Loans and Related Security to the Issuer in relation to the Loans and their Related Security comprised in the Portfolio, on the Closing Date, which include the following:

- (a) Each Loan is secured by a valid and subsisting first legal mortgage (or, in Scotland, first ranking standard security) over the Property to which it relates (subject to completion of any registration or recording requirements at the Land Registry or the Registers of Scotland or the Land Registry of Northern Ireland and/or the Registry of Deeds (as applicable) and (in those cases) there is nothing to prevent that registration or recording being effected) other than the two Loans and their Related Security that are disclosed in the Mortgage Sale Agreement, which are secured by a valid and subsisting economically first ranking mortgage over the Property to which such Loan and its Related Security relate;
- (b) Each Property is a residential property located in England, Wales, Northern Ireland or Scotland;
- (c) Each Loan and its Related Security was made on the same terms as are set out in the Standard Documentation without any material variation thereto, or where there were any changes, such changes would have been acceptable to a Reasonable, Prudent Residential Mortgage Lender;
- (d) As of the Portfolio Reference Date, not more than 10.20 per cent. of the Portfolio by Current Balance comprises Loans which have an arrears balance which is greater than or equal to the value of the Monthly Instalment payable immediately before the Portfolio Reference Date;
- (e) At the time of origination of the relevant Loan, a valuation of the relevant Property was undertaken that would be acceptable to a

Reasonable, Prudent Residential Mortgage Lender provided that no breach of this warranty will occur in respect of the nine Loans and their Related Security that are disclosed as being in breach of this warranty in the Mortgage Sale Agreement;

- (f) So far as the Seller is aware, having made all appropriate investigations with the Servicer, no Borrower is or has, since the date of origination of the relevant Loan, been in material breach of any obligation owed in relation to that Loan and/or its Related Security (other than in relation to any payment default in respect of those Loans);
- (g) Each Borrower is a natural legal person and, so far as the Seller is aware, (i) was aged 18 years or older at the date that he or she executed the relevant Loan and its Related Security, (ii) every person who had attained the age of 18 and who had been notified to the Originator as being in or about to be in actual occupation of the relevant Property, is either named as a Borrower or has signed a deed of consent so as to ensure that the relevant Property is not subject to any right of occupancy and (iii) in relation to each Scottish Mortgage, all necessary MHA/CP Documentation has been obtained so as to ensure that the relevant Property and relevant Scottish Mortgage is not subject to any right of occupancy;
- (h) Each Loan was originated in, is denominated in, and all amounts in respect of such Loan are payable in, Sterling and may not be changed by the relevant Borrower to any other currency;
- (i) The amount of each Loan has been fully advanced to the Borrower and the Mortgage Documents contain no obligation on the part of the Seller or the Legal Title Holder to make any Further Advance or a Port;
- (j) Interest on each Loan is charged in accordance with the provisions of the Loan and its related Mortgage and is payable monthly in arrear; and
- (k) The information relating to the Loans as set out in the annexure to the Mortgage Sale Agreement is true and accurate in all material respects.

**"Lending Criteria"** means in respect of a Loan the lending criteria of the relevant Originator as at the time of origination of such Loan.

See the section entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Representations and Warranties*" for further details.

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

The Seller is liable for the repurchase of the relevant Loans and their Related Security upon a material breach of Loan Warranties (which the Seller fails to remedy within the agreed grace period) or make a payment in lieu of such repurchase in accordance with the terms of the Mortgage Sale Agreement. The Seller shall have no liability for a material breach of a Loan Warranty other than the obligation to repurchase (or make a payment

in lieu of repurchase) in accordance with the terms of the Mortgage Sale Agreement.

If and to the extent that any determination shall be made by any court or other competent authority or any ombudsman or regulator that:

- (a) any term which relates to the recovery of interest under the Standard Documentation applicable to a Loan and its Related Security is unfair;
- (b) the Standard Variable Rate or any other discretionary interest rate or margin payable under any Loan (subject to any applicable caps, discounts and fixed rates) may not be set by any successors or assigns of the Seller, any person holding legal title as bare trustee for the Seller or those deriving title from the Seller or such holder of legal title; or
- (c) there has been any breach of or non-observance or non-compliance with any obligation, undertaking, covenant or condition on the part of the Seller or the Legal Title Holder relating to the interest payable by or applicable to a Borrower under any Loan,

and such determination results in the relevant Loan (or any terms thereof relating to the obligations of the relevant Borrower to make payment of principal or interest in respect of the relevant Loan or the security granted in respect of the relevant Loan) being unenforceable, non-binding upon the relevant Borrower or has a material adverse effect on the enforceability of such Loan or its Related Security, then, as soon as reasonably practicable after the receipt by the Issuer of a notification that a determination has been made under paragraph (a) or (b) or (c) above, the Issuer will serve upon the Seller notice requiring the Seller to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

The Seller shall have no obligation to repurchase any Loans in breach of any Loan Warranty or make any payment in lieu of such repurchase unless the Issuer has given the Seller notice of the event giving rise to the obligation to repurchase before the Optional Redemption Date.

**"Further Advance"** means, in relation to a Loan, any advance of further money to the relevant Borrower following the making of the initial principal amount advanced by the relevant Originator to the relevant Borrower under a Loan ("**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.

**"Port"** means the transfer of the Mortgage in respect of a Loan from an existing Property to a new Property where the new Property provides replacement security for the repayment by the Borrower of the relevant Loan.

**Consideration for repurchase:**

Other than in respect of a repurchase by the Seller of the Portfolio to effect a redemption of the Notes on an Interest Payment Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as



of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date, where the Seller is required to repurchase an affected Loan and its Related Security, the consideration payable by the Seller shall be equal to the Current Balance of such Loan (disregarding for the purposes of any such calculation (a) any porting in relation to such Loan and (b) to the extent that the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Original Seller or the Legal Title Holder, the amount of any such reduction in the Current Balance) on the relevant date of any such repurchase, plus the Issuer's costs and expenses (if any) associated with the transfer of such Loan and its Related Security to the Seller. See the section entitled "*Summary of the Key Transaction Documents - Repurchase by the Seller – Repurchase price*" for further information.

**Payment in lieu of repurchase:**

The Seller may in lieu of the repurchase, at the option of the Seller, transfer to the Issuer on or prior to the date on which the relevant Loan or Loans would have otherwise been repurchased under the Mortgage Sale Agreement an amount equal to the aggregate Current Balance of the relevant Loan or Loans as at the date on which such repurchase would otherwise have occurred, without taking ownership of the relevant Loan or Loans.

Following the Seller making a payment in lieu of repurchase of a Loan or Loans, any amounts received by the Issuer in respect of such Loan or Loans will be for the benefit of the Seller and will not form part of Available Revenue Receipts or Available Redemption Receipts. At any time following the Seller making a payment in lieu of repurchase, the Seller may, by serving a Loan Repurchase Notice on the Issuer, direct that the beneficial and, if applicable, legal ownership in such Loan or Loans be transferred by the Issuer to the Seller (or to the Seller's direction) on the date specified in the Loan Repurchase Notice.

**Perfection Events and transfer of legal title to the Issuer:**

Prior to the completion of the transfer of legal title of the Loans and their Related Security to the Issuer (which will only take place on the occurrence of certain Perfection Events or the termination of the appointment of the Servicer), legal title of the Loans and their Related Security will remain with the Legal Title Holder and the Issuer will hold only the equitable title or, in relation to any Scottish Loans and their Related Security, the beneficial interest in those Loans and their Related Security pursuant to the Scottish Declaration of Trust and will therefore be subject to certain risks as set out in the risk factor entitled "*Legal Title Holder to retain legal title to the Loans and risks relating to set-off*" in the section entitled "*Risk Factors*".

Pursuant to the Servicing Agreement, prior to the completion of the transfer of legal title of the Loans and their Related Security to the Issuer and while the Servicer provides loan administration services under the Servicing Agreement, the Legal Title Holder will hold the legal title to the Loans and their Related Security in the Portfolio (but excluding any Loan and its Related Security which has been repurchased by the Seller) on bare trust for the Issuer (including, in respect of the a Scottish Loan, pursuant to the Scottish Declaration of Trust).

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

**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 and, where applicable, the Legal Title Holder. Following the service of an Enforcement Notice, the Servicer shall act at the direction of the Security Trustee. The appointment of the Servicer may be terminated by the Issuer and/or the Security Trustee if any Servicer Termination Event occurs and is continuing (see "*Servicer Termination Events*" in the "*Transaction Overview – Triggers Tables – Non-Rating Triggers Table*").

**Purchase of Portfolio by Majority Certificateholder:**

Pursuant to Residual Certificates Condition 8 (*Majority Certificateholder Portfolio Purchase Option*) and the Trust Deed, the Majority Certificateholder has the benefit of the Majority Certificateholder Portfolio Purchase Option to require the Issuer, on any Interest Payment Date falling on or after the Optional Redemption Date to:

- (a) sell and transfer to the Majority Certificateholder or its nominee (specified as such in the Majority Certificateholder Portfolio Purchase Option Exercise Notice) the beneficial title to the Majority Certificateholder Portfolio Purchase Option Loans;
- (b) transfer to the Majority Certificateholder the right to have legal title to the Majority Certificateholder Portfolio Purchase Option Loans and their Related Security; and
- (c) direct that the Legal Title Holder transfers legal title to the Majority Certificateholder Portfolio Purchase Option Loans to the Majority Certificateholder or its nominee (specified as such in the Majority Certificateholder Portfolio Purchase Option Exercise Notice) in accordance with and subject to the terms of the Servicing Agreement on the Majority Certificateholder Portfolio Purchase Option Date,

in each case subject to the terms of the Residual Certificates.

Where the sale to the Majority Certificateholder does not contemplate a transfer of the legal title to the Majority Certificateholder Portfolio Purchase Option Loans, the exercise of the Majority Certificateholder Portfolio Purchase Option shall be conditional on the consent of the Legal Title Holder to hold legal title on behalf of the Majority Certificateholder or its nominee.

It will be a condition of the exercise of the Majority Certificateholder Portfolio Purchase Option that (a) either (i) each of the purchasers of the legal (if applicable) and beneficial title in the Majority Certificateholder Portfolio Purchase Option Loans confirms in writing that it is resident for tax purposes in the United Kingdom, or (ii) the Issuer having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it, 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) ("**Tax Advice**"), is satisfied that sale of legal (if applicable) and beneficial

title in the relevant Loans will not expose the Issuer 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 and (b) the Issuer has obtained Tax Advice and as a result is satisfied that any such sale will not result in any materially adverse tax consequences for the Issuer and/or on the Issuer's ability to repay the Notes in full.

The costs relating to such Tax Advice shall be borne by the Majority Certificateholder.

The Majority Certificateholder Portfolio Purchase Option may be exercised by the Majority Certificateholder delivering a Majority Certificateholder Portfolio Purchase Option Exercise Notice to the Issuer with a copy to the Note Trustee, the Security Trustee, the Noteholders, the Certificateholders, the Seller, the Servicer, the Legal Title Holder and the Rating Agencies at any time for effect on any Interest Payment Date falling on or after the Optional Redemption Date. Such notice shall be given not more than 15 nor less than 5 Business Days prior to proposed Majority Certificateholder Portfolio Purchase Option Date.

The Majority Certificateholder or its nominee will be required to deposit the full amount of the Majority Certificateholder Portfolio Purchase Option Purchase Price in the Issuer Account or such other account agreed with the Issuer and the Security Trustee on or prior to the day falling two Business Days immediately preceding the proposed Majority Certificateholder Portfolio Purchase Option Date or take such other action agreed with the Issuer and the Security Trustee. The full amount of the Majority Certificateholder Portfolio Purchase Option Purchase Price will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments on the Majority Certificateholder Portfolio Purchase Option Date.

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

**Consideration for purchase  
by Majority  
Certificateholder:**

The Majority Certificateholder Portfolio Purchase Option Purchase Price shall be an amount equal to:

- (a) the amount required by the Issuer to pay in full all amounts payable under items (a) to (u) (inclusive) of the Pre-Enforcement Revenue Priority of Payments and items (a) to (j) of the Pre-Enforcement Redemption Priority of Payments to effect a redemption of the Notes in full, in each case on the proposed Majority Certificateholder Portfolio Purchase Option Date; *plus*
- (b) the Issuer's costs and expenses associated with transferring its interests in the Majority Certificateholder Portfolio Purchase Option Loans and their Related Security to the Majority Certificateholder or its nominee (if any); *less*
- (c) the balance standing to the credit of the Reserve Fund (calculated as at the proposed Majority Certificateholder Portfolio Purchase Option Date after first having applied the amount standing to the credit of the Reserve Fund to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve

Fund Conditions)).

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

**Purchase of Portfolio  
pursuant to Risk Retention  
Regulatory Change Option**

Pursuant to the Risk Retention Letter, on any Interest Payment Date following the occurrence of a Risk Retention Regulatory Change Event (and subject to two directors of the Retention Holder certifying in writing to the Note Trustee and the Security Trustee that a Risk Retention Regulatory Change Event has occurred, upon which certificate the Note Trustee and Security Trustee shall be entitled to rely absolutely without liability to any person for so doing), the Retention Holder has the benefit of the Risk Retention Regulatory Change Option to require the Issuer to:

- (a) sell and transfer to the Retention Holder or its nominee (specified as such in the Risk Retention Regulatory Change Option Exercise Notice) the beneficial title to the Risk Retention Regulatory Change Option Loans;
- (b) transfer to the Retention Holder the right to have legal title to the Risk Retention Regulatory Change Option Loans and their Related Security; and
- (c) direct that the Legal Title Holder transfers legal title to the Risk Retention Regulatory Change Option Loans to the Retention Holder or its nominee (specified as such in the Risk Retention Regulatory Change Option Exercise Notice) in accordance with and subject to the terms of the Servicing Agreement on the Risk Retention Regulatory Change Option Date,

in each case subject to the terms of the Risk Retention Letter.

Where the sale to the Retention Holder does not contemplate a transfer of the legal title to the Risk Retention Regulatory Change Option Loans, the exercise of the Risk Retention Regulatory Change Option shall be conditional on the consent of the Legal Title Holder to hold legal title on behalf of the Retention Holder or its nominee.

It will be a condition of the exercise of the Risk Retention Regulatory Change Option that (a) either (i) each of the purchasers of the legal (if applicable) and beneficial title in the Risk Retention Regulatory Change Option Loans confirms in writing that it is resident for tax purposes in the United Kingdom, or (ii) the Issuer, having received Tax Advice, is satisfied that sale of legal (if applicable) and beneficial title in the relevant Loans will not expose the Issuer 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 and (b) the Issuer has obtained Tax Advice and as a result is satisfied that any such sale will not result in any materially adverse tax consequences for the Issuer and/or on the Issuer's ability to repay the Notes in full.

The costs relating to such Tax Advice shall be borne by the Retention Holder.

The Risk Retention Regulatory Change Option may be exercised by the Retention Holder delivering a Risk Retention Regulatory Change Option Exercise Notice to the Issuer with a copy to the Note Trustee, the Security Trustee, the Noteholders, the Certificateholders, the Seller, the Servicer, the Legal Title Holder and the Rating Agencies at any time for effect on any Interest Payment Date following the occurrence of a Risk Retention Regulatory Change Event. Such notice shall be given not more than 15 nor less than 5 Business Days prior to proposed Risk Retention Regulatory Change Option Date.

The Retention Holder or its nominee will be required to deposit the full amount of the Risk Retention Regulatory Change Option Purchase Price in the Issuer Account or such other account agreed with the Issuer and the Security Trustee on or prior to the day falling two Business Days immediately preceding the proposed Risk Retention Regulatory Change Option Date or take such other action agreed with the Issuer and the Security Trustee. The full amount of the Risk Retention Regulatory Change Option Price will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments on the Risk Retention Regulatory Change Option Date.

See the section entitled "*Early Redemption of Notes – Risk Retention Regulatory Change Option*" for further details.

**Consideration for purchase  
by Retention Holder:**

The Risk Retention Regulatory Change Option Purchase Price shall be an amount equal to:

- (a) the amount required by the Issuer to pay in full all amounts payable under items (a) to (u) (inclusive) of the Pre-Enforcement Revenue Priority of Payments and items (a) to (j) of the Pre-Enforcement Redemption Priority of Payments to effect a redemption of the Notes in full, in each case on the proposed Risk Retention Regulatory Change Option Date; plus
- (b) the Issuer's costs and expenses associated with transferring its interests in the Risk Retention Regulatory Change Option Loans and their Related Security to the Retention Holder or its nominee (if any); less
- (c) the balance standing to the credit of the Reserve Fund (calculated as at the proposed Risk Retention Regulatory Change Option Date after first having applied the amount standing to the credit of the Reserve Fund to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve Fund Conditions)).

See the section entitled "*Early Redemption of Notes – Risk Retention Regulatory Change Option*" for further details.

## TRANSACTION OVERVIEW – OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

*Please refer to the 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 Z Notes	Subordinated Notes
Principal Amount:	£179,000,000	£21,000,000	£21,000,000	£18,000,000	£21,000,000	£5,469,000	£8,204,000
Credit enhancement features:	Overcollateralisation funded by other Notes (other than the Subordinated Notes), Revenue Receipts remaining after payment of interest on Class A Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of Reserve Fund Drawings and, following service of an Enforcement Notice, all amounts credited to the Reserve Fund Ledger	Overcollateralisation funded by other Notes (other than the Class A Notes and Subordinated Notes), Revenue Receipts remaining after payment of interest due in respect of the Class B Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of Reserve Fund Drawings and, following service of an Enforcement Notice, all amounts credited to the Reserve Fund Ledger	Overcollateralisation funded by other Notes (other than the Class A Notes, Class B Notes and Subordinated Notes) and Revenue Receipts remaining after payment of interest due in respect of the Class C Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of Reserve Fund Drawings and, following service of an Enforcement Notice, all amounts credited to the Reserve Fund Ledger	Overcollateralisation funded by other Notes (other than Class A Notes, Class B Notes, Class C Notes and Subordinated Notes) and Revenue Receipts remaining after payment of interest due in respect of the Class D Notes and all other amounts ranking in priority thereto and prior to the service of an Enforcement Notice, the availability of Reserve Fund Drawings and, following service of an Enforcement Notice, all amounts credited to the Reserve Fund Ledger	Overcollateralisation funded by other Notes (other than Class A Notes, Class B Notes, Class C Notes Class D Notes and Subordinated Notes) and Revenue Receipts remaining after payment of interest due in respect of the Class E Notes and all other amounts ranking in priority thereto and, prior to the service of an Enforcement Notice, the availability of Reserve Fund Drawings and following the service of an Enforcement Notice all amounts standing to the credit of the Reserve Fund Ledger	Overcollateralisation funded by the Overcollateralisation Amount and Revenue Receipts remaining after payment of interest due in respect of the Class Z Notes and all other amounts ranking in priority thereto and following service of an Enforcement Notice, all amounts credited to the Reserve Fund Ledger	Revenue Receipts remaining after payments due in respect of the Subordinated Notes and all other amounts ranking in priority thereto

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class Z Notes	Subordinated Notes
Liquidity support features	Subordination in payment of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class Z Notes and the Subordinated Notes, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Senior Expenses Deficit and the amounts credited to the Reserve Fund	Subordination in payment of the Class C Notes, the Class D Notes, the Class E Notes, the Class Z Notes and the Subordinated Notes, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Senior Expenses Deficit (subject to the satisfaction of the Class B Principal Addition Amount Condition) and the amounts credited to the Reserve Fund	Subordination in payment of the Class D Notes, the Class E Notes, the Class Z Notes and the Subordinated Notes, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Senior Expenses Deficit (subject to the satisfaction of the Class C Principal Addition Amount Condition) and the amounts credited to the Reserve Fund subject to the satisfaction of the Reserve Fund Conditions	Subordination in payment of the Class E Notes, the Class Z Notes and the Subordinated Notes, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Senior Expenses Deficit (subject to the satisfaction of the Class D Principal Addition Amount Condition) and the amounts credited to the Reserve Fund subject to the satisfaction of the Reserve Fund Conditions	Subordination in payment of the Class Z Notes and the Subordinated Notes, the amounts credited to the Reserve Fund subject to the satisfaction of the Reserve Fund Conditions	Subordination in payment of the Subordinated Notes	
Issue Price:	100%	100%	100%	100%	95.05%	119.01%	122.62%
Reference Rate:	One Month LIBOR*	One Month LIBOR*	One Month LIBOR*	One Month LIBOR*	One Month LIBOR*	0.00% per annum	0.00% per annum
Margin	1.25% per annum**	1.65% per annum	2.10% per annum	2.60% per annum	2.70% per annum	N/A	N/A
Step-Up Margin	1.875% per annum***	N/A	N/A	N/A	N/A	N/A	N/A
Additional Note Payment (accrues from and including the Optional Redemption Date)	N/A	0.825% per annum	1.05% per annum	1.30% per annum	1.35% per annum	N/A	N/A
Interest Accrual Method:	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	30/360	30/360
Interest Payment Dates:	24th day of each calendar month	24th day of each calendar month	24th day of each calendar month	24th day of each calendar month	24th day of each calendar month	24th day of each calendar month	24th day of each calendar month

\* Except in respect of the first Interest Period, where the Reference Rate will be the linear interpolation of LIBOR for one and three month deposits in Sterling.

\*\* In the case of the Class A Notes only, payable up to and including the Optional Redemption Date.

\*\*\* In the case of the Class A Notes only, payable after the Optional Redemption Date.

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class Z Notes	Subordinated Notes
First Interest Payment Date:	May 2015	May 2015	May 2015	May 2015	May 2015	May 2015	May 2015
Final Maturity Date:	The Interest Payment Date falling in April 2049	The Interest Payment Date falling in April 2049	The Interest Payment Date falling in April 2049	The Interest Payment Date falling in April 2049	The Interest Payment Date falling in April 2049	The Interest Payment Date falling in April 2049	The Interest Payment Date falling in April 2049
Optional Redemption Date:	The Interest Payment Date falling in April 2020	The Interest Payment Date falling in April 2020	The Interest Payment Date falling in April 2020	The Interest Payment Date falling in April 2020	The Interest Payment Date falling in April 2020	The Interest Payment Date falling in April 2020	The Interest Payment Date falling in April 2020
Application for Exchange Listing:	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange
ISIN:	XS1192474978	XS1192475355	XS1192475512	XS1192475603	XS1192475785	XS1192476163	XS1192476247
Common Code:	119247497	119247535	119247551	119247560	119247578	119247616	119247624
Ratings (DBRS/S&P):	AAA(sf)/ AAA(sf)	AA(sf)/ AA(sf)	A(sf)/ A(sf)	BBB(low) (sf)/ A-(sf)	B(sf)/ BB(sf)	Not rated	Not rated
Minimum Denomination	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000
Governing law of the Notes	English	English	English	English	English	English	English

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

Additional Note Payments can be paid in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

Payments of Additional Note Payments are subordinated to payments of interest on the Notes. Payments of Additional Note Payments are not rated and may be deferred and non-payment thereof shall not be an Event of Default in any circumstances.



## TRANSACTION OVERVIEW – Overview of the Characteristics of the Notes and the Residual Certificates

- Ranking and Form of the Notes:** On the Closing Date, the Issuer will issue the following classes of Notes under the Trust Deed:
- Class A Mortgage Backed Floating Rate Notes due April 2049 (the "**Class A Notes**");
  - Class B Mortgage Backed Floating Rate Notes due April 2049 (the "**Class B Notes**");
  - Class C Mortgage Backed Floating Rate Notes due April 2049 (the "**Class C Notes**");
  - Class D Mortgage Backed Floating Rate Notes due April 2049 (the "**Class D Notes**");
  - Class E Mortgage Backed Floating Rate Notes due April 2049 (the "**Class E Notes**");
  - Class Z Mortgage Backed Fixed Rate Notes due April 2049 (the "**Class Z Notes**"); and
  - Subordinated Fixed Rate Notes due April 2049 (the "**Subordinated Notes**"),

and together, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are the "**Rated Notes**". The Rated Notes together with the Class Z Notes and the Subordinated 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 Regulation S and will be cleared through Euroclear and/or Clearstream, Luxembourg, as set out in "*Description of the Global Notes*" below.

- Residual Certificates:** On the Closing Date, the Issuer will also issue to the Seller residual certificates under the Trust Deed (the "**Residual Certificates**" and the holders thereof, the "**Certificateholders**") representing the right to receive the Residual Payments by way of deferred consideration for the Issuer's purchase of the Portfolio.

- Sequential Order:** The Class A Notes rank *pro rata* and *pari passu* without preference or priority among 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 among themselves in relation to payment of interest, principal and the Class B Additional Note Payment (if any) at all times, but subordinate to the Class A Notes (except that all payments in respect of any Class B Additional Note Payment will rank subordinate to all payments under the Notes other than all payments in respect of any Class C Additional Note Payments, Class D Additional Note Payments and Class E Additional Note Payments).

The Class C Notes rank *pro rata* and *pari passu* without preference or priority

among themselves in relation to payment of interest, principal and the Class C Additional Note Payment (if any) at all times, but subordinate to the Class A Notes and the Class B Notes (except that all payments in respect of any Class C Additional Note Payment will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class D Additional Note Payments and Class E Additional Note Payments).

The Class D Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest, principal and the Class D Additional Note Payment (if any) at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes (except that all payments in respect of any Class D Additional Note Payment will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class E Additional Note Payments).

The Class E Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest, principal and the Class E Additional Note Payment (if any) at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (except that all payments in respect of any Class E Additional Note Payment will rank subordinate to all payments under the Rated Notes).

The Class Z Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to all payments due in respect of the Rated Notes.

On or after the Optional Redemption Date or the Final Redemption Date, payments of principal on the Class Z Notes will be subordinated to payments of interest on the Subordinated Notes.

The Subordinated Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to all payments due in respect of the Rated Notes and (except as provided below) the Class Z Notes.

On or after the Optional Redemption Date or the Final Redemption Date, payments of interest on the Subordinated Notes will be paid in priority to payments of principal on the Class Z Notes.

The Residual Certificates are subordinate to all rights of payment of interest on the Notes (including any Additional Note Payments).

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

Certain amounts due by the Issuer to its other Secured Creditors (and, prior to the service of an Enforcement Notice only, certain unsecured creditors) will rank in priority to all Classes of the Notes and Residual Certificates.

**Security:**

Pursuant to a deed of charge made between, among others, the Issuer and the Security Trustee (the "**Deed of Charge**"), the Notes and 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.

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

- (a) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under the Transaction Documents (other than the Trust Deed, the Deed of Charge, any Scottish Supplemental Charge and any Scottish Declaration of Trust) and any sums derived therefrom;
- (b) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's interest in the English Loans, Northern Irish Loans and their Related Security and other related rights comprised in the Portfolio (other than in respect of Scottish Loans) and any sums derived therefrom;
- (c) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under Insurance Policies assigned to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignation in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Legal Title Holder over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to any Scottish Declaration of Trust);
- (e) a charge by way of first fixed charge over the Issuer's interest in its bank accounts (including the Issuer Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;
- (f) an assignment by way of first fixed security of (and, to the extent not assigned, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit under the Collection Account Trust (created pursuant to the Collection Account Declaration of Trust);
- (g) an assignment by way of first fixed security (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit under the Collection Account Trust (created pursuant to the Collection Account Declaration of Trust); and
- (h) a floating charge over all assets of the Issuer not otherwise subject to the charges referred to above or otherwise effectively assigned by way of security (other than item (d) above), including over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not such assets are the subject of the charges or Security referred to above).

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

**Interest Provisions:** Please refer to the "*Full Capital Structure of the Notes*" table above and as fully set out in Condition 6 (*Interest*).

**Deferral:** Interest (including any amount representing the Step-Up Margin on the Class A Notes payable after the Optional Redemption Date) due and payable on the Most Senior Class of Notes may not be deferred. Interest due and payable on the Notes (other than the Most Senior Class of Notes) may be deferred in accordance with Condition 18 (*Subordination by Deferral*).

Additional Note Payments due and payable on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes may be deferred in accordance with Condition 18 (*Subordination by Deferral*).

**Additional Note Payments:** On and from the Interest Payment Date immediately following the Optional Redemption Date, the Holders of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be entitled to receive Additional Note Payments in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

The accrual of Additional Note Payments will commence on the Optional Redemption Date and be paid on each Interest Payment Date thereafter subject to and in accordance with the applicable Priority of Payments. Any Additional Note Payments not paid on an Interest Payment Date will be deferred until the immediately following Interest Payment Date, but will incur interest at the Relevant Unpaid Additional Note Payment Margin. Any failure by the Issuer to pay any Additional Note Payment on an Interest Payment Date (even in respect of the Most Senior Class of Notes) will not constitute an Event of Default.

**The Ratings on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes do not address the likelihood of receipt of any Additional Note Payments.**

**Gross-up:** 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 required by law in respect of the Notes on account of taxes.

**Redemption:** The Notes are subject to the following redemption events:

- mandatory redemption in whole on the Interest Payment Date falling in April 2049 (the "**Final Maturity Date**"), as fully set out in Condition 8.1 (*Redemption at Maturity*);
- mandatory redemption in part on any Interest Payment Date commencing on the first Interest Payment Date but prior to the service of an Enforcement Notice subject to availability of Available Redemption Receipts (to the extent not applied to cover any Senior Expenses Deficit and (in respect of paragraphs (f) and (g) below) to pay interest on the Class Z Notes or the Subordinated Notes on or after the Optional Redemption Date or the Final Redemption Date) which shall be applied:
  - (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;
- (f) sixth, on a *pari passu* and *pro rata* basis to repay the Class Z Notes until they are repaid in full;
- (g) seventh, on a *pari passu* and *pro rata* basis to repay the Subordinated Notes until they are repaid in full; and
- (h) eighth, thereafter any excess amounts will be applied as Available Revenue Receipts.

The Subordinated Notes will not be redeemed until all other Notes have been repaid in full;

- mandatory redemption in full following the exercise by the Majority Certificateholder of the Majority Certificateholder Portfolio Purchase Option, as fully set out in Condition 8.4 (*Mandatory Redemption in full pursuant to a Majority Certificateholder Portfolio Purchase Option*);
- mandatory redemption in full following the exercise by the Retention Holder of the Risk Retention Regulatory Change Option, as fully set out in Condition 8.5 (*Mandatory Redemption in full pursuant to a Risk Retention Regulatory Change Option*);
- optional redemption of the Notes exercisable by the Issuer in whole on each Interest Payment Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date, as fully set out in Condition 8.3 (*Optional Redemption of the Notes in Full*); and
- optional redemption exercisable by the Issuer in whole for tax or other reasons (including if it becomes unlawful for the Issuer to allow to remain outstanding any of the Notes) 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 8.6 (*Optional Redemption for Taxation or Other Reasons*).

Any Note redeemed pursuant to the above redemption provisions will be redeemed at an amount equal to its Principal Amount Outstanding together with accrued (and unpaid) interest on its Principal Amount Outstanding up to (but excluding) the date of redemption.

**Expected Average Lives of 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*" below.

**Event of Default:**

As fully set out in Condition 11 (*Events of Default*) and Residual Certificates Condition 11 (*Events of Default*), which includes, among other events, (where relevant, subject to the applicable grace period):

- subject to the deferral provisions in Condition 18 (*Subordination by Deferral*), non-payment of interest and/or principal (but not Additional Note Payments) in respect of the Notes and such non-payment continues for a period of five days in the case of interest and ten days in the case of principal;
- failure to pay any amount due in respect of the Residual Certificates and the default continues for more than five days from the due date for payment (provided that all of the Notes have been redeemed in full);
- breach of any material contractual obligations by the Issuer under the Transaction Documents if such breach is incapable of remedy or, if it is capable of remedy, has not been remedied within the applicable grace period;
- any material representation made by the Issuer is incorrect when given if the matters giving rise to such misrepresentation is incapable of remedy or, if it is capable of remedy, has not been remedied within the applicable grace period; and
- the occurrence of certain insolvency related events in relation to the Issuer.

Non-payment of any Additional Note Payments will not cause an Event of Default.

Following the occurrence of an Event of Default, the Note Trustee may (or if so directed by the Most Senior Class of Notes, shall) serve an Enforcement Notice on the Issuer that all Classes of Notes are immediately due and payable provided that the Note Trustee is indemnified and/or prefunded and/or secured to its satisfaction. Following service of an Enforcement Notice to the Issuer, the Security Trustee may enforce the Security.

The Note Trustee at its absolute discretion may, and, provided all of the Notes have been redeemed in full, if so directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number or if so directed by an Extraordinary Resolution of the Certificateholders shall (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed), give an Enforcement Notice to the Issuer that any Residual Payments pursuant to the Residual Certificates are immediately due and payable in any of the events described more fully in Residual Certificates Condition 11 (*Events of Default*).

**Limited Recourse and Non-Petition:**

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 12.4 (*Limited Recourse*). In accordance with Condition 12.3 (*Limitations on Enforcement*), no Noteholder may proceed directly against the Issuer unless the Note Trustee or the Security Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

The Certificateholders are only entitled to funds which are available to the Issuer in accordance with the applicable Priority of Payments and therefore the Residual Certificates are limited recourse obligations of the Issuer.

**Governing Law:**

English law (provided that any terms of the Transaction Documents which are particular to Scots law will be construed in accordance with Scots law and any terms of the Transaction Documents which are particular to Northern Irish law will be construed in accordance with Northern Irish law).

## Transaction Overview – Rights of Noteholders and Certificateholders and Relationship with Other Secured Creditors

*Please refer to the 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 and 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 are entitled to convene a Noteholders' meeting and Certificateholders holding not less than 10 per cent. in number of the Residual Certificates then in issue are entitled to convene a Certificateholders' meeting.

However, so long as no Event of Default has occurred and is continuing, the Noteholders are not 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 aggregate Principal Amount Outstanding of the Most Senior Class of Notes (or if no Notes remain outstanding, of the number of Residual Certificates then in issue), or if an Extraordinary Resolution of the holders of the Most Senior Class of Notes (or if no Notes remain outstanding, of the number of Residual Certificates then in issue) is passed, direct the Note Trustee to give an Enforcement Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding together with accrued (but unpaid) interest. 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:

	<i>Initial meeting</i>	<i>Adjourned meeting</i>
Notice period:	At least 21 clear days	At least 10 clear days
Quorum:	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than one-quarter of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding	Subject to more detailed provisions of the Trust Deed, one or more persons present and 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 Residual Certificates then in issue, 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 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 holding or representing not less than 50 per cent. of the Residual Certificates then in issue, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons eligible to attend and vote at such meeting holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of each Class of Notes then outstanding and holding or representing not less than three-quarters of the Residual Certificates then in issue, as applicable.

or representing not less than 10 per cent. of the Residual Certificates then in issue, 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 representing in the aggregate not less than 25 per cent. of the aggregate 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 Residual Certificates then in issue, as applicable. The quorum for passing a Basic Terms Modification shall be one or more persons eligible to attend and vote at such meeting holding or representing in aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of each Class of Notes then outstanding and holding or representing not less than 75 per cent. of the Residual Certificates then in issue, as applicable.

Required majority for Ordinary Resolution:	A clear majority of persons eligible to attend and vote at such meeting and voting at that meeting upon a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll (an " <b>Ordinary Resolution</b> ").
Required majority for Extraordinary Resolution:	Majority consisting of not less than three-quarters 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 (an " <b>Extraordinary Resolution</b> ").
Required majority for a written resolution:	Not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes then outstanding or not less than three-quarters of the amount of Residual Certificates then in issue. A written resolution has the same effect as an Extraordinary Resolution.

**Matters requiring Extraordinary Resolution:**

The following matters require an Extraordinary Resolution of the Noteholders (and, in the case of a Basic Terms Modification, an Extraordinary Resolution of the Certificateholders), as set out in the Trust Deed:

- to sanction or to approve a Basic Terms Modification;
- to sanction any compromise or arrangement proposed to be made between, among others, the Issuer or any other party to any Transaction Document;
- to sanction any abrogation, modification, compromise or arrangement in respect of the rights of, among others, the Note Trustee or any other party to any Transaction Document against any other or others of them or against any of their property whether such rights arise under the Trust Deed, any other Transaction Document or otherwise;
- to approve the substitution of any person for the Issuer as principal debtor under the Notes other than in accordance with Condition 8.6 (*Optional Redemption for Taxation or Other Reasons*) or Condition 13.21 (*Issuer Substitution Condition*);
- to assent to any modification of the Trust Deed or any other Transaction Document which is proposed by the Issuer or any other party to any Transaction Document or any Noteholder or Certificateholder, other than those modifications which are sanctioned by the Note Trustee without the consent or sanction of the Noteholders in accordance with the terms of the Trust Deed;
- to direct the Note Trustee to serve an Enforcement Notice;

- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to approve the appointment of a substitute Servicer in circumstances where the Servicer has resigned and the appointment of the substitute Servicer in the opinion of the Security Trustee could have an adverse effect on the rating of the Rated Notes or if it is not clear to the Security Trustee whether the rating for the Rated Notes will be maintained as the rating before the termination of the Servicer;
- to authorise the Note Trustee, the Security Trustee and/or any Appointee to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to discharge or exonerate the Note Trustee, Security Trustee and/or any Appointee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- to appoint any persons as a committee to represent the interests of the Noteholders or the Certificateholders and to confer upon such committee any powers which the Noteholders or the Certificateholders could themselves exercise by Extraordinary Resolution; and
- to sanction any scheme or proposal for the exchange, sale, conversion or cancellation of the Notes or the Residual Certificates for or partly or wholly in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company or partly or wholly in consideration of cash; or
- to give any other authorisation or sanction which under the Trust Deed or any other Transaction Document is required to be given by Extraordinary Resolution.

See Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*) in the section entitled "*Terms and Conditions of the Notes*" for more detail.

**Right of modification subject to negative consent of Noteholders**

Pursuant to and in accordance with the detailed provisions of Condition 13.6, the Note Trustee and/or the Security Trustee (as the case may be) shall be obliged, without any consent of the Noteholders to concur with the Issuer in making any modification (other than a Basic Terms Modification) to the Conditions and/or any Transaction Document or enter into any new, supplemental or additional documents for the purposes of enabling the Issuer or any other Transaction Party to comply with FATCA.

The Issuer must provide at least 30 days' notice to Noteholders of each Class of the proposed modification in accordance with Condition 16

(*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes. If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer in writing that such Noteholders do not consent to the modification then such modification will not be made unless passed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding in accordance with Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

**Right of modification  
without consent of  
Noteholders**

The Note Trustee and/or the Security Trustee (as the case may be) shall, in the case of a modification relating to the appointment of a Designated Reporting Entity for the purposes of complying with the Article 8b Requirements (an "**Article 8b Amendment**") and subject to the more detailed provisions of Condition 13.6, be obliged to agree to amendments to the Conditions and/or the Transaction Documents without the consent of Noteholders.

Neither the Note Trustee nor the Security Trustee shall 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 (i) 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 (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions.

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

Subject to the provisions governing a Basic Terms Modification, a resolution of a relevant Class of Notes shall be binding on all other Classes of Notes which are subordinate to such Class of Notes in the Pre-Enforcement Redemption Priority of Payments (disregarding for such purposes items (g) and (h) of the Pre-Enforcement Redemption Priority of Payments) and on the Residual Certificates, irrespective of the effect upon them. No Extraordinary Resolution of any other Class of Noteholders or of the Certificateholders shall take effect for any purpose while the Most Senior Class of Notes remains outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes and, in the case of Residual Certificates, the holders of all Notes ranking in priority in the applicable Priority of Payments, or the Note Trustee is of the opinion it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes and, in the case of Residual Certificates, the holders of all Notes ranking in priority in the applicable Priority of Payments.

The voting rights of the Certificateholders are limited to the extent that any Ordinary Resolution or Extraordinary Resolution of the Certificateholders is only effective if, while any Classes of Notes remain outstanding, such resolution has been sanctioned by an Ordinary Resolution or Extraordinary Resolution, respectively, of the Most Senior Class of Notes and all other Classes of Notes then outstanding, or the Note Trustee is of the opinion it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes and all other Classes of Notes then outstanding.

A Basic Terms Modification requires an Extraordinary Resolution of the

holders of the relevant affected Class or Classes of Notes and/or the Residual Certificates then in issue, as applicable (unless the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class of Notes and/or the Residual Certificates, as applicable).

Subject to the provisions governing a Basic Terms Modification and the foregoing paragraphs, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution in writing or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.

**"Clearing System"** means Euroclear and/or Clearstream, Luxembourg and includes in respect of any Note and/or Residual Certificate any clearing system on behalf of which such Note and/or Residual Certificate is held or which is the holder or (directly or through a nominee) registered owner of a Note and/or a Residual Certificate, in either case whether alone or jointly with any other Clearing System(s).

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

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the Secured Creditors other than the Noteholders.

So long as the Notes are outstanding, the Note Trustee will have regard to the interests of each class of the Noteholders, but if in the Note Trustee's sole opinion there is a conflict between the interests of any Classes of Notes, it will have regard solely to the interests of the holders of the relevant affected Class of Notes ranking in priority to the other relevant Classes of Notes in the Pre-Enforcement Redemption Priority of Payments (disregarding items (g) and (h) of the Pre-Enforcement Redemption Priority of Payments) and the holders of such subordinated Classes of Notes shall have no claim against the Note Trustee for so doing.

So long as any Notes or Residual Certificates are outstanding the Security Trustee shall act on the instructions of the Note Trustee and shall not have regard to the interests of any other Secured Creditor.

**"Secured Obligations"** means any and all of the monies and liabilities which the Issuer covenants and undertakes to pay or discharge under the Issuer's covenant to pay as set out in the Deed of Charge.

**Seller, Retention Holder or  
related entity as Noteholder  
or Certificateholder:**

For certain purposes, including the determination as to whether the Class Z Notes or the Subordinated Notes are deemed outstanding for the purposes of convening a meeting of Noteholders or voting at Noteholder meetings or by way of written resolution, the Class Z Notes or the Subordinated Notes (as applicable) which are for the time being held by or on behalf of or for the benefit of the Seller, as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding except where all of the Class Z Notes or Subordinated Notes (as applicable) are held by or on behalf of or for the benefit of the Seller, in which case the Class Z Notes or the Subordinated Notes (as applicable) shall be deemed to remain

outstanding.

Prospective investors should note that the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder may purchase some or all of any of the Notes (other than, with respect to the Seller, the Class Z Notes and the Subordinated Notes) and/or the Residual Certificates, and in doing so, will not be prevented from being entitled to attend meetings of the Noteholders and/or the Certificateholders or vote at Noteholder and/or Certificateholder meetings or by way of written resolution (as applicable).

Prospective investors should be aware that the interests of the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder may conflict generally with that of the other Noteholders and/or Certificateholders, and the Seller, the Retention Holder and/or affiliates or related entities of the Seller and/or the Retention Holder are not required to vote in any particular manner.

**Provision of Information to the Noteholders and Certificateholders:**

The Cash Manager on behalf of the Issuer will publish the monthly investor report detailing, among other things, certain aggregated loan file data in relation to the Portfolio (the "**Investor Report**"). The Investor Report will be published on the website at <https://sf.citidirect.com>. In addition loan level information will be provided on a monthly basis. The loan level information will be published on the website at <https://sf.citidirect.com>.

**Communication with Noteholders and Certificateholders:**

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

- (a) Subject to paragraph (d) below, any notice to Noteholders and/or Certificateholders 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 and Certificateholders (in each case a "**Relevant Screen**"), or (ii) paragraph (c) below 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 notice.
- (b) In respect of Notes or Residual Certificates, as applicable, in definitive form, notices to Noteholders or 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.

- (c) While the Notes or Residual Certificates, as applicable, are represented by Global Notes or Global Residual Certificates, notices to Noteholders or 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 Noteholders and/or 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.
- (d) In relation to the Notes and the Noteholders, so long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock 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 the quotation systems on or by which the Notes and/or Residual Certificates are then listed, quoted and/or traded and provided that notice of such other method is given to Noteholders and Certificateholders in such manner as the Note Trustee shall require.

## TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

Please refer to the 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:**

Prior to an Enforcement Notice being served on the Issuer, the Cash Manager on behalf of the Issuer will apply Available Revenue Receipts and Available Redemption Receipts on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments respectively, 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 or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date received (i) during the immediately preceding Collection Period, or (ii) if representing amounts received in respect of any repurchases (and/or payments made in lieu of repurchase in accordance with the terms of the Mortgage Sale Agreement) of Loans and their Related Security by the Seller pursuant to the Mortgage Sale Agreement, from but excluding the Cut-Off Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Cut-Off Date;
- (b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period;
- (c) any Principal Addition Amounts (subject to the satisfaction of the relevant Principal Addition Amount Condition);
- (d) (other than on the Final Redemption Date) an amount (if any) equal to the amount standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount on such Interest Payment Date;
- (e) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*);
- (f) amounts credited to the Issuer Account on the immediately preceding Interest Payment Date in accordance with item (y) of the Pre-Enforcement Revenue Priority of Payments;
- (g) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Redemption Receipts; and
- (h) Excess Redemption Receipts;

*less:*

- (i) 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) certain costs and expenses incurred by the Servicer on behalf of itself and/or the Legal Title Holder in respect of its servicing of the Loans and not otherwise covered by items (ii) to (iv) below;
- (ii) payments of certain insurance premiums in respect of the Insurance Policies (to the extent referable to the Loans);
- (iii) amounts under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited; and
- (iv) 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,

(items within (i) being collectively referred to herein as "**Third Party Amounts**");

- (j) any tax payments paid or payable by the Issuer during the immediately preceding Collection Period to the extent not funded from amounts standing to the credit of the Issuer Profit Ledger; and
- (k) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to the Collection Account or to pay any amounts due to the Collection Account Bank.

"**Direct Debit**" means a written instruction of a Borrower authorising its bank to honour a request of the Legal Title Holder to debit a sum of money on specified dates from the account of the Borrower for deposit into an account of the Legal Title Holder.

"**Excess Redemption Receipts**" means any Available Redemption Receipts to be applied as Available Revenue Receipts in accordance with item (k) of the Pre-Enforcement Redemption Priority of Payments.

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

- (a) all Redemption Receipts or, if in a Determination Period, any Calculated Redemption 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 and (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security (or repayments in lieu of repurchases in accordance with the terms of the Mortgage Sale Agreement) that were repurchased by the Seller pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Cut-Off Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing

Date) to and including the immediately preceding Cut-Off Date;

- (b) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments and the application of any Reserve Fund Drawings (subject to the satisfaction of the Reserve Fund Conditions), to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class C Principal Deficiency Sub-Ledger and/or the Class D Principal Deficiency Sub-Ledger and/or the Class E Principal Deficiency Sub-Ledger and/or the Class Z Principal Deficiency Sub-Ledger and/or the OC Principal Deficiency Sub-Ledger is to be reduced on that Interest Payment Date;
- (c) any amounts deemed to be Available Redemption Receipts in accordance with item (v) of the Pre-Enforcement Revenue Priority of Payments (the "**Enhanced Amortisation Amounts**");
- (d) on the Final Redemption Date only, all amounts standing to the credit of the Reserve Fund Ledger (after first, amounts have been credited to the Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments on the Final Redemption Date and second, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve Fund Conditions)); and
- (e) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Redemption Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*).

"**Optional Redemption Date**" means the Interest Payment Date falling in April 2020.

**"Final Redemption Date"** means the Interest Payment Date:

- (a) in respect of which the Cash Manager determines on the immediately preceding Calculation Date that, following the application on such Interest Payment Date of (i) Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and (ii) any Reserve Fund Drawings to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments (subject to the satisfaction of the Reserve Fund Conditions), the sum of:
  - (i) the Available Redemption Receipts (other than item (d) (and, where such Interest Payment Date falls prior to the Optional Redemption Date, item (c)) of the definition thereof),
  - (ii) all amounts standing to the credit of the Reserve Fund Ledger and
  - (iii) all amounts which (but for the occurrence of the Final Redemption Date) would have been available for application pursuant to items (w) to (z) (inclusive) of the Pre-Enforcement Revenue Priority of Payments,

would be sufficient to redeem in full the Rated Notes on such Interest Payment Date, including, as the case may be, as a result of the optional redemption of the Rated Notes pursuant to Conditions 8.3 (*Optional Redemption of the Notes in full*) or 8.6 (*Optional Redemption for Taxation or Other Reasons*); or

- (b) on which the Notes are redeemed in full in accordance with Conditions 8.4 (*Mandatory Redemption in full pursuant to a Majority Certificateholder Portfolio Purchase Option*) or 8.5 (*Mandatory Redemption in full pursuant to a Risk Retention Regulatory Change Option*).

**"Pre-Enforcement Priority of Payments"** means the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments.

**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".

<u>Pre-Enforcement Revenue Priority of Payments:</u>	<u>Pre-Enforcement Redemption Priority of Payments:</u>	<u>Post-Enforcement Priority of Payments:</u>
(a) <i>Pro rata and pari passu</i> to amounts due to the Note Trustee and the Security Trustee and any Appointee thereof including charges, liabilities, fees, costs and expenses	(a) (Subject to the satisfaction of the relevant Principal Addition Amount Condition) Principal Addition Amounts to be applied to meet any Senior Expenses Deficit	(a) <i>Pro rata and pari passu</i> to amounts due in respect of the Note Trustee and the Security Trustee, Receiver and any Appointee thereof including charges, liabilities, fees, costs and expenses
(b) <i>Pro rata and pari passu</i> to amounts due to the Agent Bank, the Registrar, the Paying Agent, the Cash Manager, the Designated Reporting Entity, the Servicer, the Legal Title Holder, the Corporate Services Provider, the Issuer Account Bank and the Collection Account Bank, in each case including all fees and costs	(b) <i>Pro rata and pari passu</i> to the principal amounts due on the Class A Notes	(b) <i>Pro rata and pari passu</i> to amounts due in respect of the fees and costs of the Agent Bank, the Registrar, the Paying Agent, the Cash Manager, the Designated Reporting Entity, the Servicer, the Legal Title Holder the Corporate Services Provider, the Issuer Account Bank, and the Collection Account Bank, in each case including all fees and costs
(c) <i>Pro rata and pari passu</i> to pay Third Party Expenses (if any)	(c) <i>Pro rata and pari passu</i> to the principal amounts due on the Class B Notes	(c) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class A Notes
(d) Issuer Profit Amount	(d) <i>Pro rata and pari passu</i> to the principal amounts due on the Class C Notes	(d) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class B Notes
(e) <i>Pro rata and pari passu</i> to the interest due on the Class A Notes	(e) <i>Pro rata and pari passu</i> to the principal amounts due on the Class D Notes	(e) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class C
(f) Amounts to be credited to the Class A Principal Deficiency Sub-Ledger	(f) <i>Pro rata and pari passu</i> to the principal amounts due on the Class E Notes	
(g) <i>Pro rata and pari passu</i> to the interest due on the Class B Notes	(g) On or after the Optional Redemption Date or the Final Redemption Date, <i>pro rata and pari passu</i> to the interest due on the Class Z Notes	
(h) Amounts to be credited to the Class B Principal Deficiency Sub-Ledger	(h) On or after the Optional Redemption Date or the Final Redemption Date, <i>pro rata and pari passu</i> to the interest due on the Subordinated Notes	
(i) <i>Pro rata and pari passu</i> to the interest due on the	(i) <i>Pro rata and pari passu</i> to the principal amounts due on the Class Z Notes	

Class C Notes		Notes
(j) Amounts to be credited to the Class C Principal Deficiency Sub-Ledger	(j) <i>Pro rata and pari passu</i> to the principal amounts due on the Subordinated Notes	(f) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class D Notes
(k) <i>Pro rata and pari passu</i> to the interest due on the Class D Notes	(k) Payments of Excess Redemption Receipts to be applied as Available Revenue Receipts other than on or after the Optional Redemption Date, in which case Excess Redemption Receipts are to be applied to make payments on the Residual Certificates	(g) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class E Notes
(l) Amounts to be credited to the Class D Principal Deficiency Sub-Ledger		(h) <i>Pro rata and pari passu</i> to amounts due as Class B Additional Note Payment
(m) <i>Pro rata and pari passu</i> to the interest due on the Class E Notes		(i) <i>Pro rata and pari passu</i> to amounts due as Class C Additional Note Payment
(n) Amounts to be credited to the Class E Principal Deficiency Sub-Ledger		(j) <i>Pro rata and pari passu</i> to amounts due as Class D Additional Note Payment
(o) Amounts to be credited to the Reserve Fund Ledger		(k) <i>Pro rata and pari passu</i> to amounts due as Class E Additional Note Payment
(p) Amounts to be credited to the Class Z Principal Deficiency Sub-Ledger		(l) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class Z Notes
(q) Amounts to be credited to the OC Principal Deficiency Sub-Ledger		(m) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Subordinated Notes
(r) <i>Pro rata and pari passu</i> to amounts due as Class B Additional Note Payment		(n) <i>Pro rata and pari passu</i> to pay Third Party Expenses (if any)
(s) <i>Pro rata and pari passu</i> to amounts due as Class C Additional Note Payment		(o) Issuer Profit Amount
(t) <i>Pro rata and pari passu</i> to amounts due as Class D Additional Note Payment		(p) Payments on the
(u) <i>Pro rata and pari passu</i> to amounts due as Class E Additional Note Payment		
(v) On or after the Optional Redemption Date or the Final Redemption Date, all amounts to be applied as Available Redemption		

Receipts

Residual Certificates

- (w) *Pro rata* and *pari passu* to the interest due on the Class Z Notes
- (x) *Pro rata* and *pari passu* to the interest due on the Subordinated Notes
- (y) on any Interest Payment Date falling within a Determination Period, to be credited to the Issuer Account to be applied on the next Interest Payment Date as Available Revenue Receipts
- (z) Payments on the Residual Certificates

**General Credit Structure:**

The credit structure of the transaction includes the following elements:

- the availability of the Reserve Fund, funded on the Closing Date by the proceeds of the Subordinated Noteholders' subscription of the Subordinated Notes. On each Interest Payment Date, to the extent that there would be a Revenue Deficit on any Interest Payment Date and subject to the satisfaction of the Reserve Fund Conditions, an amount equal to the lower of (a) the amount required to cure such Revenue Deficit and (b) amounts standing to the credit of the Reserve Fund on such Interest Payment Date (such amounts being "**Reserve Fund Drawings**"), shall (subject to the satisfaction of the Reserve Fund Conditions) be debited from the Reserve Fund Ledger immediately following to the application of Available Revenue Receipts and will be applied to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Priority of Payments in such order of priority as such items appear in the Pre-Enforcement Revenue Priority of Payments. After the Closing Date, the Reserve Fund will be replenished up to the Reserve Fund Required Amount on each Interest Payment Date up to and including the Final Redemption Date from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments. See the section "*Credit Structure –Reserve Fund and Reserve Fund Ledger*".

The "**Reserve Fund Required Amount**" means an amount equal to:

- (a) On the Closing Date, 3.00 per cent. of the aggregate

Current Balance of the Loans as at 26 January 2015 (the "**Original Cut-Off Date**");

- (b) On any Interest Payment Date (other than an Interest Payment Date occurring on or after the Final Redemption Date), the lower of:
  - (i) 3.00 per cent. of the aggregate Current Balance of the Loans as at the Original Cut-Off Date; and
  - (ii) 6.00 per cent. of the aggregate Current Balance of the Loans as at the immediately preceding Cut-Off Date,

subject to a minimum of 1.00% of the sum of the Principal Amount Outstanding of the Rated Notes as at the Closing Date; and

- (c) On or after the Final Redemption Date, zero.

On the Final Redemption Date only, all amounts standing to the credit of the Reserve Fund Ledger (after first, amounts have been credited to the Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments on the Final Redemption Date and second, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve Fund Conditions)) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments;

- The "**Reserve Fund Conditions**" are satisfied:

- (a) in respect of any payment towards items (a) to (h), (j), (l) and (n) of the Pre-Enforcement Revenue Priority of Payment, at all times;
- (b) if in respect of any payment towards interest due on the Class C Notes, such payment would not result in the outstanding balance of the Class C Principal Deficiency Sub-Ledger being equal to or greater than 50% of the Principal Amount Outstanding of the Class C Notes on the immediately preceding Interest Payment Date (after the application of Available Revenue Receipts and Available Redemption Receipts on such Interest Payment Date);
- (c) if in respect of any payment towards interest due on the Class D Notes, such payment would not result in the outstanding balance of the Class D Principal Deficiency Sub-Ledger being equal to or greater than 50% of the Principal Amount Outstanding of the Class D Notes on the immediately preceding Interest

Payment Date (after the application of Available Revenue Receipts and Available Redemption Receipts on such Interest Payment Date); and

- (d) if in respect of any payment towards interest due on the Class E Notes, such payment would not result in the outstanding balance of the Class E Principal Deficiency Sub-Ledger being equal to or greater than 50% of the Principal Amount Outstanding of the Class E Notes on the immediately preceding Interest Payment Date (after the application of Available Revenue Receipts and Available Redemption Receipts on such Interest Payment Date).
- a Principal Deficiency Ledger will be established to record as a debit any Losses on the Portfolio and Principal Addition Amounts and record as a credit Available Revenue Receipts applied as Available Redemption Receipts (including any amounts in respect of Enhanced Amortisation Amounts) pursuant to the Pre-Enforcement Revenue Priority of Payments (if any). 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 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), the Class Z Principal Deficiency Sub-Ledger (relating to the Class Z Notes) and the OC Principal Deficiency Sub-Ledger (relating to the Overcollateralisation Amount). Any Losses on the Portfolio and/or any Principal Addition Amounts will be recorded as a debit (on the date that the Cash Manager is informed of such Losses by the Servicer or such Principal Addition Amounts are determined by the Cash Manager (as applicable)): (a) first, to the OC Principal Deficiency Sub-Ledger (up to a maximum amount equal to the Overcollateralisation Amount) (b) second, to the Class Z Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class Z Notes; (c) third, to the Class E Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class E Notes; (d) fourth, to the Class D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes; (e) fifth, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes; (f) sixth, to the Class B Principal Deficiency Sub-Ledger up to a maximum 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 a maximum amount equal to the Principal Amount Outstanding of the Class A Notes.



Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Loan firstly to outstanding fees and interest amounts due and payable on the relevant Loan. The Principal Deficiency Ledger will be credited by the amount of any Available Revenue Receipts applied as Available Redemption Receipts in accordance with items (f), (h), (j), (l), (n), (p) and (q) of the Pre-Enforcement Revenue Priority of Payments. See the section "*Credit Structure – Principal Deficiency Ledger*" below;

- pursuant to item (v) of the Pre-Enforcement Revenue Priority of Payments, on or after the Optional Redemption Date or the Final Redemption Date, and after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments (including any Additional Note Payments), the Issuer will treat any remaining Available Revenue Receipts as Enhanced Amortisation Amounts and such amounts will be applied as Available Redemption Receipts to be applied in accordance with the Pre-Enforcement Redemption Priority of Payments. Any amounts applied as Enhanced Amortisation Amounts will be recorded as a credit to the Principal Deficiency Ledger. Any amount credited to the Principal Deficiency Ledger in respect of Enhanced Amortisation Amounts will be reduced to the extent of any future Losses arising in respect of the Portfolio;
- pursuant to item (a) of the Pre-Enforcement Redemption Priority of Payments, to the extent that after application of the Available Revenue Receipts (and for this purpose, without regard to any Principal Addition Amounts) in accordance with the Pre-Enforcement Revenue Priority of Payments and the use of any Reserve Fund Drawings to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments (subject to the satisfaction of the Reserve Fund Conditions), there is a Senior Expenses Deficit, the Issuer shall apply an amount of Available Redemption Receipts equal to the Senior Expenses Deficit (the "**Principal Addition Amounts**") as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments provided that amounts will only be released to pay a deficit at item (g), (i) or (k) of the Pre-Enforcement Revenue Priority of Payments if the relevant Principal Addition Amount Condition is satisfied. Any Available Redemption Receipts applied as Principal Addition Amounts will be recorded as a debit to the Principal Deficiency Ledger; and
- the availability of interest provided by the Issuer Account Bank in respect of monies held in the Issuer Accounts (see the section "*Cashflows*" for further details).

## **Overcollateralisation Amount**

The "**Overcollateralisation Amount**" will be calculated on the Closing Date as an amount equal to the Outstanding Principal Balance of the Loans as at the Original Cut-Off Date minus the Principal Amount Outstanding of the Notes (other than the Subordinated Notes) as at the Closing Date.

The "**Outstanding Principal Balance**" of a Loan means, on any date, the aggregate balance of the Loan at such date (but without double counting) including:

- (a) the original principal amount advanced to the relevant Borrower, together with any Further Advance made prior to the relevant date, in each case secured or intended to be secured by the related Mortgage and which has not been paid, repaid or prepaid by the relevant Borrower; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has not been paid by the relevant Borrower and 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,

on the basis of the start of day position on such date (which for the avoidance of doubt is inclusive of any interest rate accrual amount relating to the previous month or otherwise that has been applied on such day but is exclusive of any other payments or postings on such date).

## **Bank Accounts and Cash Management:**

On the Closing Date the Issuer will enter into the Bank Account Agreement with the Issuer Account Bank in respect of the opening and maintenance of the Issuer Account.

The Issuer will open a deposit account (the "**Issuer Account**") pursuant to the Bank Account Agreement with the Issuer Account Bank on or prior to the Closing Date. The Issuer may from time to time open additional or replacement accounts including, if applicable, any securities accounts (such accounts, together with the Issuer Account, the "**Issuer Accounts**") pursuant to the Bank Account Agreement and the Transaction Documents.

On each Interest Payment Date, the Cash Manager will transfer monies from the Issuer Account to be applied in accordance with the applicable Priority of Payments.

## TRANSACTION OVERVIEW – TRIGGERS TABLES

### Rating Triggers Table

<b>Transaction Party</b>	<b>Required Ratings/Triggers</b>	<b>Possible effects of Trigger being breached include the following:</b>
<b>Issuer Account Bank:</b>	<p>A short-term unsecured, unsubordinated and unguaranteed debt rating of at least A-1 by S&amp;P (if a short-term rating is assigned by S&amp;P) and a long-term unsecured, unsubordinated and unguaranteed debt rating of at least A by S&amp;P, or should the Issuer Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed rating of at least A-1 from S&amp;P, a long term unsecured, unsubordinated and unguaranteed debt rating of at least A+ by S&amp;P, and a long-term issuer default rating of at least A by DBRS or a DBRS equivalent short-term rating, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Rated Notes (the "<b>Account Bank Rating</b>").</p>	<p>If the Issuer Account Bank fails to maintain any of the Account Bank Ratings, then the Issuer shall use all reasonable endeavours to, within 30 calendar days of such downgrade:</p> <ul style="list-style-type: none"><li>(a) close the Issuer Account with such Issuer Account Bank and use all reasonable endeavours to open replacement accounts with a financial institution (i) having all of the Account Bank Ratings and (ii) which is a bank as defined in section 991 of the Income Tax Act 2007, and procure that the amounts standing to the credit of the Issuer Account and all Ledgers on the Issuer Account are transferred forthwith to the replacement Issuer Account;</li><li>(b) obtain a guarantee of the obligations of such Issuer Account Bank under the Bank Account Agreement from a financial institution which has all of the Account Bank Ratings; or</li><li>(c) take any other reasonable action as the Rating Agencies may agree will not result in a downgrade of the Rated Notes,</li></ul> <p>in each case as prescribed in the Bank Account Agreement.</p>

**Collection Account Bank**

A short-term, unsecured, unsubordinated and unguaranteed debt rating of A-2 by S&P (if a short-term rating is assigned by S&P) and a long-term, unsecured, unsubordinated and unguaranteed debt rating of BBB or (should the Collection Account Bank not benefit from a short-term unsecured, unsubordinated and unguaranteed rating of at least A-2 by S&P) BBB+ by S&P and a long-term issuer default rating of BBB by DBRS or a DBRS equivalent short-term rating (the "**Collection Account Bank Rating**").

If the Collection Account Bank fails to maintain any of the Collection Account Bank Ratings, the Servicer shall on behalf of, and at the sole cost and expense of, the Issuer, in accordance with the Collection Account Declaration of Trust, instruct Pepper (UK) Limited (acting in its capacity as the Collection Account Trustee pursuant to the Collection Account Agreement) to:

- (a) terminate the appointment of the Collection Account Bank in accordance with the Collection Account Agreement and use commercially reasonable efforts to procure that the funds standing to the credit of the Collection Account are promptly transferred from the Collection Account and placed on deposit on terms the same or substantially the same (*mutatis mutandis*) as the Collection Account Agreement with an institution (i) that maintains ratings at least equal to the Collection Account Bank Ratings, (ii) that is a bank as defined in section 991 of the Income Tax Act 2007; and (iii) that is an institution authorised to carry on banking business including accepting deposits under the FSMA; or
- (b) obtain a guarantee of the Collection Account Bank's obligations under each Collection Account Agreement from a bank with ratings at least equal to the Collection Account Bank Ratings,

in each case within 30 days of the date on which the Collection Account Bank ceases to have the Collection Account Bank Ratings, and to use commercially reasonable efforts to transfer all Direct Debit mandates to such replacement collection account and notify Borrowers that all Monthly Instalments made by a Borrower under a payment arrangement other than the Direct Debiting Scheme are to be made to such replacement collection account following the date on which the replacement collection account is opened.

## Non-Rating Triggers Table

### Perfection Events:

Prior to the completion of the transfer of legal title of the Loans to the Issuer, the Issuer will be subject to certain risks as set out in the risk factor entitled "*Legal Title Holder to retain legal title to the Loans and risks relating to set-off*" and "*Set-off may adversely affect the value of the Portfolio or any part thereof*" in the section entitled "*Risk Factors*". Completion of transfer of the legal title of the Loans by the Legal Title Holder to the Issuer will be completed on or before the 20th Business Day after the earliest to occur of the following:

- (a) the Legal Title Holder being required to perfect legal title to the Loans (i) by an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the Legal Title Holder or (iii) by any organisation of which the Legal Title Holder is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Legal Title Holder to comply, to perfect legal title to the Loans
- (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;
- (d) the Legal Title Holder calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) an Insolvency Event occurring in relation to the Legal Title Holder or it becomes subject to Insolvency Proceedings; or
- (f) it becoming unlawful in any applicable jurisdiction for the Legal Title Holder to hold legal title in respect of any Loan in the Portfolio.

### Servicer Termination Events:

The appointment of the Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee and transfer of the legal title to the Loans and their Related Security by the Legal Title Holder to a legal title transferee) if any of the following events (each a "**Servicer Termination Event**") occurs and is continuing:

- (a) the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and the Servicer fails to remedy it for a period of five 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, following the delivery of an Enforcement Notice, the Security Trustee requiring the default to be remedied;

- (b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, and in the reasonable opinion of the Issuer (prior to the delivery of an Enforcement Notice) or the reasonable opinion of the Security Trustee (after the delivery of an Enforcement Notice) such default is materially prejudicial to the interests of the Noteholders (which determinations shall be conclusive and binding on all other Secured Creditors) and such default continues unremedied for a period of 20 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, following the delivery of an Enforcement Notice, the Security Trustee requiring the default to be remedied;
- (c) an Insolvency Event occurring in respect of the Servicer or the Servicer becomes subject to Insolvency Proceedings; or
- (d) the Servicer ceasing to be an authorised person under the Financial Services and Markets Act 2000 or the revocation of an applicable licence, registration or regulatory permission held by it required to perform the Services, other than as a result of or arising out of a Change in Applicable Law.

The Servicer may also terminate its appointment under the Servicing Agreement by either (i) giving not less than 12 months' written notice to the Issuer and the Security Trustee provided that a replacement servicer has been appointed by the Issuer (subject to the consent of the Security Trustee) or (ii) on the occurrence of a Servicer Resignation Event. See the section entitled "*Summary of the Key Transaction Documents – Servicing Agreement*" below.

Any resignation occurring in relation to any Servicer Resignation Event shall take effect from a date which shall be the later of:

- (a) the date specified in the resignation notice; and
- (b) the earlier of:
  - (i) the expiry of 120 days from the date of the resignation notice has been given to the Issuer and the Security Trustee by the Servicer; and
  - (ii) the appointment by the Issuer of a successor servicer.

See "*Summary of the Key Transaction Documents – Servicing Agreement*" below.

## TRANSACTION OVERVIEW – FEES

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing fees.	<p>The fees payable by the Issuer on each Interest Payment Date, subject to there being sufficient Available Revenue Receipts and/or Available Redemption Receipts and payable in each case in accordance with the applicable Priority of Payment, being each of:</p> <ol style="list-style-type: none"> <li>1. <i>The Base Fee</i>: a base servicing fee in relation to each Collection Period, equal to (i) from the Closing Date to (but excluding) the Optional Redemption Date, an amount of 0.20 per cent. per annum of the aggregate outstanding Current Balance of the Loans on the first day of the relevant Collection Period (calculated on the basis of the number of days elapsed in that Collection Period and a 365 day year) <i>plus</i> an uplift of 2.5 per cent. per annum from the Optional Redemption Date and on each anniversary of the Optional Redemption Date, subject to a cap of 0.27% per cent. per annum of the aggregate outstanding Current Balance of the Loans on the first day of the relevant Collection Period (calculated on the basis of the number of days elapsed in that Collection Period and a 365 day year) (the "<b>Base Fee</b>").</li> <li>2. <i>The Arrears Fee</i>: an amount equal to the product of £40 multiplied by the number of arrears loans during the Collection Period (the <b>Arrears Fee</b>).</li> <li>3. <i>The Redemption Fee</i>: an amount equal to the product of the number of redemptions of</li> </ol>	Ahead of all outstanding Notes and Residual Certificates.	Monthly in arrear on each Interest Payment Date.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
	Loans processed in the Collection Period calculated as of the last day of such period, multiplied by £100 (the <b>Redemption Fee</b> ).		
	in each case, exclusive of VAT.		
Servicing project fee:	£25,000 (exclusive of VAT), related to the set up and establishment of a new issuer portfolio account within the loan administration system of the Servicer.	Ahead of all outstanding Notes and Residual Certificates.	On or about the Closing Date.
Other fees and expenses of the Issuer (including tax and audit costs).	Estimated at £87,000 each year (exclusive of VAT, where so provided in the relevant Transaction Document or otherwise payable by the Issuer).	Ahead of all outstanding Notes and Residual Certificates.	Monthly in arrear on each Interest Payment Date.
Expenses related to the admission to trading of the Notes.	Estimated at €6,940 (exclusive of VAT).	Ahead of all outstanding Notes and Residual Certificates.	On or about the Closing Date.

As at the date of this Prospectus, the standard rate of UK VAT is 20 per cent.



## EU RISK RETENTION REQUIREMENTS

The Retention Holder, as an originator for the purposes of the CRR, the AIFM Regulation and the Solvency II Regulation, will retain a material net economic interest of not less than 5 per cent. in the securitisation (representing downside risk and economic outlay) in accordance with the text of each of Article 405 of the Capital Requirements Regulation, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation (which, in each case, does not take into account any relevant national measures). As at the Closing Date, such interest will be comprised of the Retention Holder holding through its interest and exposure in the profit participating loan entered into with the Seller an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors, represented in this case by the retention by the Seller of the Class Z Notes and the Subordinated Notes, as required by the text of each of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation. The initial Principal Amount Outstanding of the Class Z Note and the Subordinated Note are equal to 5 per cent of the material net economic interest in the securitisation. Any change to the manner in which such interest is held will be notified to Noteholders and Certificateholders.

As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Prospectus and to any other information provided separately (which information shall not form part of this Prospectus) and, after the Closing Date, to the monthly investor reports provided to the Noteholders pursuant to the Cash Management Agreement and published on the following website: <https://sf.citidirect.com>.

The Retention Holder will undertake in the Risk Retention Letter:

- (a) to retain on an on-going basis a material net economic interest of not less than 5 per cent. in the securitisation established in accordance with the Transaction Documents for the purposes of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation (the "**Minimum Required Interest**");
- (b) to retain the Minimum Required Interest by holding an indirect exposure in the first loss tranche in the securitisation in accordance with each of paragraph (d) of Article 405(1) of the CRR, paragraph (d) of Article 51(1) of the AIFM Regulation and paragraph (d) of Article 254(2) of the Solvency II Regulation, represented by the Class Z Notes and the Subordinated Notes through its exposure to the Seller under the profit participating loan agreement and the corresponding holding by the Seller of the Class Z Notes and the Subordinated Notes;
- (c) not to change the manner or form in which it retains the Minimum Required Interest, except as permitted under the CRR or the AIFM Regulation or the Solvency II Regulation;
- (d) not to dispose, assign or transfer its rights, benefits or obligations under the profit participating loan agreement except as permitted under the CRR or the AIFM Regulation or the Solvency II Regulation;
- (e) not to take any action which would reduce its exposure to the economic risk of the Class Z Notes and the Subordinated Notes in such a way that it ceases to hold the Minimum Required Interest except as permitted under the CRR or the AIFM Regulation or the Solvency II Regulation; and
- (f) to comply with the applicable disclosure obligations under Article 409 of the CRR, subject always to any requirement of law, provided that the Retention Holder will not be in breach of this paragraph (f) if it fails to so comply due to events, actions or circumstances beyond its control.

The Seller will undertake in the Risk Retention Letter, at any time whilst the Rated Notes are still outstanding:

- (a) that it will continue to hold, on an ongoing basis, all of the Class Z Notes and the Subordinated Notes unless instructed otherwise by the Retention Holder in accordance with the CRR, the AIFM Regulation and the Solvency II Regulation;
- (b) save to the extent permitted by or provided for in the Transaction Documents or paragraph (c) below, not to carry on any other trade or business or any activities or hold shares in any company or hold any other assets other than the Class Z Notes and the Subordinated Notes or as permitted under the terms of the profit participating loan agreement, such other related documents that are referred to in the profit participating loan agreement or which relate to the entry into and performance by the Seller of its obligations under the profit participating loan agreement;
- (c) not to incur any indebtedness or give any guarantee in respect of any indebtedness or of any other obligation of any person other than the profit participating loan agreement;
- (d) not to take any action which would reduce the Retention Holder's exposure to the economic risk of the Class Z Notes and the Subordinated Notes in such a way that the Retention Holder ceases to hold the Minimum Required Interest; and
- (e) not to issue any further shares in addition to those that are in issue as at the Closing Date.

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 each of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51), Chapter VIII of Title I of the Solvency II Regulation (including Article 254) and any relevant national measures which may be relevant and none of the Issuer, the Retention Holder, the Seller, the Cash Manager, the Servicer, the Note Trustee, the Security Trustee, the Arranger or the Lead Manager (i) makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes, (ii) should have any liability to any prospective investor or any other person for any insufficiency of such information or any failure of the transactions contemplated herein to comply with or otherwise satisfy the requirements of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of the Solvency II Regulation or any other applicable legal, regulatory or other requirements, or (iii) shall have any obligation (other than the obligations in respect of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of the Solvency II Regulation undertaken by the Retention Holder and the Seller in the Risk Retention Letter) to enable compliance with the requirements of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of Title I of the Solvency II Regulation or any other applicable legal, regulatory or other requirements.

For further information please refer to the Risk Factor entitled "*Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes*".

## WEIGHTED AVERAGE LIVES OF THE NOTES

The term "**weighted average life**" refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the relevant investor of amounts sufficient to fully repay principal in respect of such security (assuming no losses on the Loans and weighted by the principal amortisation of the Notes on each Interest Payment Date). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of repayment of the Loans in the Portfolio. In addition the weighted average lives of the Notes, should they not be called on the Optional Redemption Date, will be influenced by, *inter alia*, the amount of Available Revenue Receipts.

The actual weighted average lives of the Notes cannot be stated, as the ultimate rate of prepayment 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.

The following tables were prepared based on the characteristics of the loans included in the Provisional Portfolio, the provisions of the Conditions and Residual Certificates Conditions (as applicable), and the following additional assumptions (the "**Modelling Assumptions**"). The Class Z Notes and the Subordinated Notes will be repaid sequentially only following repayment in full of the Rated Notes in accordance with the relevant Priority of Payments.

### Modelling Assumptions:

- (a) no loans are in arrears or subject to enforcement actions;
- (b) no Loan is sold by the Issuer;
- (c) no Further Advances or Ports are made in respect of the Portfolio;
- (d) in the case of the table stating "Assuming Issuer Call on Optional Redemption Date", the Notes are redeemed at their Principal Amount Outstanding on the Optional Redemption Date;
- (e) in the case of the table stating "Assuming No Issuer Call on Optional Redemption Date", the Notes are redeemed at their Principal Amount Outstanding in accordance with Condition 8.3 (*Optional Redemption of the Notes in Full*);
- (f) one-month LIBOR is equal to 0.50 per cent.;
- (g) three-month LIBOR is equal to 0.55 per cent.;
- (h) BBR is equal to 0.5 per cent.;
- (i) the Security granted by the Issuer has not been enforced;
- (j) no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;
- (k) the Loans are fully performing until the Final Maturity Date;
- (l) the Portfolio will be purchased on the Closing Date and is derived from the Provisional Portfolio, which has the characteristics defined below;
- (m) the amortisation of any Repayment Loan is calculated as an annuity loan;
- (n) all Loans have a floating rate interest;

- (o) all Loans that are not Repayment Loans are assumed to be Interest-only Loans;
- (p) the principal collections of the Portfolio are calculated based on the individual amortisation schedule of each Loan, which takes into account the Loan's repayment type, interest rate on the Portfolio Reference Date and remaining term;
- (q) fees in respect of the Portfolio amount to 0.2 per cent. per annum of the aggregate Current Balance of the Loans plus fixed fees of £20,000 per annum (distributed equally over 12 months);
- (r) all collections in respect of the Portfolio from 26 January 2015 to the first Cut-Off Date (April 2015) will be available in the Issuer Account for application on the first Interest Payment Date;
- (s) all calculations (including those in relation to the Loans and fees) are distributed equally over 12 months; and
- (t) the length of each Interest Period is a year x 1/12, except for the first Interest Period which is a year x 1.5/12.

The actual characteristics and performance of the Loans are likely to differ from the Modelling Assumptions. The following tables are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under various prepayment scenarios. For example, the Issuer does not expect that the Loans will prepay at a constant rate until maturity, or that there will be no defaults or delinquencies on the Loans. Any difference between the Modelling Assumptions and, *inter alia*, the actual prepayment or loss experience on the Loans will affect the redemption profile of the Notes and cause the weighted average lives of the Rated Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated CPR.

"CPR" means, on any Calculation Date, the annualised principal prepayment rate of all the Loans during the previous Collection Period calculated as follows:

$$1 - ((1-R)^{12})$$

where R equals the result (expressed as a percentage) of the total principal prepayments received by the Issuer during the immediately preceding Collection Period divided by the aggregate outstanding principal balance of the Loans as at the first day of that Collection Period.

CPR	(Assuming Issuer Call on Optional Redemption Date)				
	Possible WAL (in years) of:				
	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes
0%	4.55	5.04	5.04	5.04	5.04
2%	4.19	5.04	5.04	5.04	5.04
3%	4.02	5.04	5.04	5.04	5.04
4%	3.85	5.04	5.04	5.04	5.04
5%	3.68	5.04	5.04	5.04	5.04
8%	3.21	5.04	5.04	5.04	5.04
10%	2.92	5.04	5.04	5.04	5.04

**CPR**

**(Assuming no Issuer Call on Optional Redemption Date)  
Possible WAL (in years) of:**

	<b>Class A Notes</b>	<b>Class B Notes</b>	<b>Class C Notes</b>	<b>Class D Notes</b>	<b>Class E Notes</b>
0%	10.63	17.18	17.21	17.32	17.84
2%	7.96	16.89	17.16	17.21	17.57
3%	6.97	15.39	17.08	17.20	17.44
4%	6.19	13.58	16.47	17.16	17.34
5%	5.51	12.46	15.07	17.08	17.26
8%	3.93	10.60	12.14	14.17	16.99
10%	3.27	8.74	10.92	12.38	15.60

For more information in relation to the risks involved in the use of the average lives estimated above, see "*Risk Factors – Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*" above.

**EARLY REDEMPTION OF THE NOTES PURSUANT TO THE MAJORITY  
CERTIFICATEHOLDER PORTFOLIO PURCHASE OPTION AND THE RISK RETENTION  
REGULATORY CHANGE OPTION**

The Portfolio may be sold by the Issuer pursuant to the Majority Certificateholder Portfolio Purchase Option or, on the occurrence of a Risk Retention Regulatory Change Event, the Risk Retention Regulatory Change Option. The Issuer will undertake not to dispose of the Portfolio in any other circumstances (other than in relation to an enforcement of the Security).

**Majority Certificateholder Portfolio Purchase Option**

Pursuant to Residual Certificates Condition 8 (*Majority Certificateholder Portfolio Purchase Option*) and the Trust Deed, the Majority Certificateholder has an option (the "**Majority Certificateholder Portfolio Purchase Option**") to require the Issuer, on any Interest Payment Date falling on or after the Optional Redemption Date to:

- (a) sell and transfer to the Majority Certificateholder or its nominee (specified as such in the Majority Certificateholder Portfolio Purchase Option Exercise Notice) the beneficial title to all Loans and Related Security in the Portfolio (the "**Majority Certificateholder Portfolio Purchase Option Loans**");
- (b) transfer to the Majority Certificateholder the right to have legal title to the Majority Certificateholder Portfolio Purchase Option Loans and their Related Security; and
- (c) direct that the Legal Title Holder transfers legal title to the Majority Certificateholder Portfolio Purchase Option Loans to the Majority Certificateholder or its nominee (specified as such in the Majority Certificateholder Portfolio Purchase Option Exercise Notice) in accordance with and subject to the terms of the Servicing Agreement on the Majority Certificateholder Portfolio Purchase Option Date,

in each case subject to the terms of the Residual Certificates.

Where the sale to the Majority Certificateholder does not contemplate a transfer of the legal title to the Majority Certificateholder Portfolio Purchase Option Loans, the exercise of the Majority Certificateholder Portfolio Purchase Option shall be conditional on the consent of the Legal Title Holder to hold legal title on behalf of the Majority Certificateholder or its nominee.

It will be a condition of the exercise of the Majority Certificateholder Portfolio Purchase Option that (a) either (i) each of the purchasers of the legal (if applicable) and beneficial title in the Majority Certificateholder Portfolio Purchase Option Loans confirms in writing that it is resident for tax purposes in the United Kingdom, or (ii) the Issuer, having received Tax Advice, is satisfied that sale of legal (if applicable) and beneficial title in the relevant Loans will not expose the Issuer 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 and (b) the Issuer has obtained Tax Advice and as a result is satisfied that any such sale will not result in any materially adverse tax consequences for the Issuer and/or on the Issuer's ability to repay the Notes in full.

The costs relating to such Tax Advice shall be borne by the Majority Certificateholder.

The Majority Certificateholder Portfolio Purchase Option may be exercised by the Majority Certificateholder delivering a Majority Certificateholder Portfolio Purchase Option Exercise Notice to the Issuer with a copy to the Note Trustee, the Security Trustee, the Noteholders, the Certificateholders, the Seller, the Servicer, the Legal Title Holder and the Rating Agencies at any time for effect on any Interest Payment Date falling on or

after the Optional Redemption Date. Such notice shall be given not more than 15 nor less than 5 Business Days prior to proposed Majority Certificateholder Portfolio Purchase Option Date.

### **Majority Certificateholder Portfolio Purchase Option Purchase Price**

The purchase price for the Portfolio under the Majority Certificateholder Portfolio Purchase Option shall be an amount (the "**Majority Certificateholder Portfolio Purchase Option Purchase Price**") equal to:

- (a) the amount required by the Issuer to pay in full all amounts payable under items (a) to (u) (inclusive) of the Pre-Enforcement Revenue Priority of Payments and items (a) to (j) of the Pre-Enforcement Redemption Priority of Payments to effect a redemption of the Notes in full, in each case on the proposed Majority Certificateholder Portfolio Purchase Option Date; *plus*
- (b) the Issuer's costs and expenses associated with transferring its interests in the Majority Certificateholder Portfolio Purchase Option Loans and their Related Security to the Majority Certificateholder or its nominee (if any); *less*
- (c) the balance standing to the credit of the Reserve Fund (calculated as at the proposed Majority Certificateholder Portfolio Purchase Option Date after first having applied the amount standing to the credit of the Reserve Fund to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve Fund Conditions)).

The Majority Certificateholder or its nominee will be required to deposit the full amount of the Majority Certificateholder Portfolio Purchase Option Purchase Price in the Issuer Account or such other account agreed with the Issuer and the Security Trustee on or prior to the day falling two Business Days immediately preceding the proposed Majority Certificateholder Portfolio Purchase Option Date or take such other action agreed with the Issuer and the Security Trustee. The full amount of the Majority Certificateholder Portfolio Purchase Option Purchase Price will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments on the Majority Certificateholder Portfolio Purchase Option Date.

**"Majority Certificateholder Portfolio Purchase Option Exercise Notice"** means a written notice to be delivered by the Majority Certificateholder to the Issuer with a copy to the Note Trustee, the Security Trustee, the Seller, the Servicer, the Legal Title Holder and the Rating Agencies to exercise the Majority Certificateholder Portfolio Purchase Option specifying (a) the proposed Majority Certificateholder Portfolio Purchase Option Date, (b) specifying whether the Majority Certificateholder itself or a nominee will be acquiring the beneficial title to the Majority Certificateholder Portfolio Purchase Option Loans and (c) specifying whether the transfer of legal title from the Legal Title Holder to the Majority Certificateholder Portfolio Purchase Option Loans is contemplated.

**"Majority Certificateholder"** means (a) (where the Residual Certificates are represented by Definitive Residual Certificates) the holder of greater than 75 per cent. of the Residual Certificates or (where the Residual Certificates are represented by the Global Residual Certificate) the Indirect Participant who holds the beneficial interest in more than 75 per cent. of the Residual Certificates or (b) where no person holds greater than 75 per cent. of the Residual Certificates or, as applicable, beneficial interest in more than 75 per cent. of the Residual Certificates, the person who holds the greatest number of the Residual Certificates or, as applicable, beneficial interest in the greatest number of the Residual Certificates.

### **Risk Retention Regulatory Change Option**

Pursuant to the Risk Retention Letter, on any Interest Payment Date following the occurrence of a Risk Retention Regulatory Change Event (and subject to two directors of the Retention Holder certifying in writing to the Security Trustee that a Risk Retention Regulatory Change Event has occurred, upon which certificate the Security Trustee shall be entitled to rely absolutely without liability to any person for so

doing), the Retention Holder has the benefit of the Risk Retention Regulatory Change Option to require the Issuer to:

- (a) sell and transfer to the Retention Holder or its nominee (specified as such in the Risk Retention Regulatory Change Option Exercise Notice) the beneficial title to all Loans and Related Security in the Portfolio (the "**Risk Retention Regulatory Change Option Loans**");
- (b) transfer to the Retention Holder the right to have legal title to the Risk Retention Regulatory Change Option Loans and their Related Security; and
- (c) direct that the Legal Title Holder transfers legal title to the Risk Retention Regulatory Change Option Loans to the Retention Holder or its nominee (specified as such in the Risk Retention Regulatory Change Option Exercise Notice) in accordance with and subject to the terms of the Servicing Agreement on the Risk Retention Regulatory Change Option Date,

in each case subject to the terms of the Risk Retention Letter.

Where the sale to the Retention Holder does not contemplate a transfer of the legal title to the Risk Retention Regulatory Change Option Loans, the exercise of the Risk Retention Regulatory Change Option shall be conditional on the consent of the Legal Title Holder to hold legal title on behalf of the Retention Holder or its nominee.

It will be a condition of the exercise of the Risk Retention Regulatory Change Option that (a) either (i) each of the purchasers of the legal (if applicable) and beneficial title in the Risk Retention Regulatory Change Option Loans confirms in writing that it is resident for tax purposes in the United Kingdom, or (ii) the Issuer, having received Tax Advice, is satisfied that sale of legal (if applicable) and beneficial title in the relevant Loans will not expose the Issuer 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 and (b) the Issuer has obtained Tax Advice and as a result is satisfied that any such sale will not result in any materially adverse tax consequences for the Issuer and/or on the Issuer's ability to repay the Notes in full.

The costs relating to such Tax Advice shall be borne by the Retention Holder.

The Risk Retention Regulatory Change Option may be exercised by the Retention Holder delivering a Risk Retention Regulatory Change Option Exercise Notice to the Issuer with a copy to the Note Trustee, the Security Trustee, the Noteholders, the Certificateholders, the Seller, the Servicer, the Legal Title Holder and the Rating Agencies at any time for effect on any Interest Payment Date following the occurrence of a Risk Retention Regulatory Change Event. Such notice shall be given not more than 15 nor less than 5 Business Days prior to proposed Risk Retention Regulatory Change Option Date.

The Retention Holder or its nominee will be required to deposit the full amount of the Risk Retention Regulatory Change Option Purchase Price in the Issuer Account or such other account agreed with the Issuer and the Security Trustee on or prior to the day falling two Business Days immediately preceding the proposed Risk Retention Regulatory Change Option Date or take such other action agreed with the Issuer and the Security Trustee. The full amount of the Risk Retention Regulatory Change Option Price will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments on the Risk Retention Regulatory Change Option Date.



## **Risk Retention Regulatory Change Option Purchase Price**

The purchase price for the Portfolio under the Risk Retention Regulatory Change Option shall be an amount (the "**Risk Retention Regulatory Change Option Purchase Price**") equal to:

- (a) the amount required by the Issuer to pay in full all amounts payable under items (a) to (u) (inclusive) of the Pre-Enforcement Revenue Priority of Payments and items (a) to (j) of the Pre-Enforcement Redemption Priority of Payments to effect a redemption of the Notes in full, in each case on the proposed Risk Retention Regulatory Change Option Date; plus
- (b) the Issuer's costs and expenses associated with transferring its interests in the Risk Retention Regulatory Change Option Loans and their Related Security to the Retention Holder or its nominee (if any); less
- (c) the balance standing to the credit of the Reserve Fund (calculated as at the proposed Risk Retention Regulatory Change Option Date after first having applied the amount standing to the credit of the Reserve Fund to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve Fund Conditions)).

The Retention Holder or its nominee will be required to deposit the full amount of the Risk Retention Regulatory Change Option Purchase Price in the Issuer Account or such other account agreed with the Issuer and the Security Trustee on or prior to the day falling two Business Days immediately preceding the proposed Risk Retention Regulatory Change Option Date or take such other action agreed with the Issuer and the Security Trustee. The full amount of the Risk Retention Regulatory Change Option Price will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments on the Risk Retention Regulatory Change Option Date.

**"Risk Retention Regulatory Change Option Exercise Notice"** means a written notice to be delivered by the Retention Holder to the Issuer with a copy to the Note Trustee, the Security Trustee, the Seller, the Servicer, the Legal Title Holder and the Rating Agencies to exercise the Risk Retention Regulatory Change Option specifying (a) the proposed Risk Retention Regulatory Change Option Date, (b) specifying whether the Retention Holder itself or a nominee will be acquiring the beneficial title to the Risk Retention Regulatory Change Option Loans and (c) specifying whether the transfer of legal title from the Legal Title Holder to the Risk Retention Regulatory Change Option Loans is contemplated.

**"Risk Retention Regulatory Change Event"** means any change in or the adoption of any new law, rule, direction, guidance or regulation which requires the manner in which the Minimum Required Interest is held by the Retention Holder and the Seller to be restructured after the Closing Date.

## **Redemption of the Notes and the cancellation of the Residual Certificates**

On an Interest Payment Date on which all conditions to completion of the Majority Certificateholder Portfolio Purchase Option will have been satisfied (such date being the "**Majority Certificateholder Portfolio Purchase Option Date**"), the Majority Certificateholder Portfolio Purchase Option Purchase Price will be applied in accordance with the Pre-Enforcement Priority of Payments and will result in the Notes being redeemed in full.

Any Revenue Receipts or Redemption Receipts received by the Issuer from but excluding the Cut-Off Date immediately prior to the Majority Certificateholder Portfolio Purchase Option Date to and including Majority Certificateholder Portfolio Purchase Option Date will be payable to or for the account of the Majority Certificateholder, after the payment of which, the Residual Certificates will be cancelled.

On an Interest Payment Date on which all conditions to completion of the Risk Retention Regulatory Change Option will have been satisfied (such date being the "**Risk Retention Regulatory Change Option Date**"),

the Risk Retention Regulatory Change Option Purchase Price will be applied in accordance with the Pre-Enforcement Priority of Payments and will result in the Notes being redeemed in full.

Any Revenue Receipts or Redemption Receipts received by the Issuer from but excluding the Cut-Off Date immediately prior to the Risk Retention Regulatory Change Option Date to and including Risk Retention Regulatory Change Option Date will be payable on a *pro rata* and *pari passu* basis to or for the account of the Certificateholders, after the payment of which, the Residual Certificates will be cancelled.

## **USE OF PROCEEDS**

The Issuer will use the net proceeds of the Rated Notes and the Class Z Notes to pay the Initial Consideration payable by the Issuer for the Portfolio to be acquired from the Seller on the Closing Date.

On the Closing Date, the Issuer will use the gross proceeds of the Subordinated Notes to (i) establish the Reserve Fund and (ii) pay certain fees and expenses of the Issuer incurred in connection with the issue of the Notes and the Residual Certificates on the Closing Date.

## RATINGS

The Rated Notes, on issue, (with respect to payments of interest and principal but not, for the avoidance of doubt, with respect to payments of Additional Note Payments in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes) are expected to be assigned the following ratings by DBRS and S&P. The Class Z Notes and the Subordinated Notes will not be rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency if, in its judgement, circumstances so warrant.

<b>Class of Notes</b>	<b>DBRS</b>	<b>S&amp;P</b>
Class A Notes	AAA(sf)	AAA(sf)
Class B Notes	AA(sf)	AA(sf)
Class C Notes	A(sf)	A(sf)
Class D Notes	BBB(low)(sf)	A-(sf)
Class E Notes	B(sf)	BB(sf)
Class Z Notes	Not rated	Not rated
Subordinated Notes	Not rated	Not rated

The ratings assigned to the Rated Notes address, *inter alia*:

- (a) the likelihood of full and timely payment to the Rated Noteholders of all payments of interest (including any Step-Up Margin on the Class A Notes) on each Interest Payment Date; and
- (b) the likelihood of ultimate payment to the Rated Noteholders of principal in relation to the Rated Notes on or before the Final Maturity Date.

**The ratings of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes do not address the likelihood of receipt of any amount in respect of Additional Note Payments.**

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

## THE ISSUER

### Introduction

The Issuer was incorporated under the laws of England and Wales on 24 February 2015 (registered number 09455280) as a public limited company under the Companies Act 2006. 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 issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each of which one share is fully-paid up and 49,999 shares are quarter-paid and all shares are held by Holdings (see "*Holdings*" below).

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

The Issuer was established as a special purpose vehicle solely for the purpose of issuing asset backed notes. The Issuer is permitted, pursuant to the terms of its articles of association, *inter alia*, to issue the Notes and the Residual Certificates. The Issuer will covenant to observe certain restrictions on its activities which are set out in Condition 5(b) (Covenants) and Residual Certificates Condition 5(b) (Issuer Covenants).

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 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 limited company under the Companies Act 2006 (as amended) and to the proposed issues 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. The Issuer, as necessary, has made a notification under the Data Protection Act 1998. As at the date of this Prospectus, statutory accounts have not yet been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2015.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the Issuer Profit Ledger and the Reserve Fund Ledger).

### Directors

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

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

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

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Jonathan Eden Keighley	35 Great St. Helen's, London EC3A 6AP	Director
Robert William Berry	35 Great St. Helen's, London EC3A 6AP	Director
John Paul Nowacki	35 Great St. Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Michael Drew	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Jennifer Jones	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Aline Sternberg	35 Great St. Helen's, London EC3A 6AP	Company Secretary

The company secretary of the Issuer is SFM 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 under the laws of England and Wales on 24 February 2015 (registered number 09455385) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The issued share capital of Holdings comprises one ordinary share of £1. SFM Corporate Services 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, the Retention Holder nor any company connected with the Seller or the Retention Holder 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.

Pursuant to the terms of its articles of association, Holdings is permitted, *inter alia*, to hold shares in the Issuer.

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.

### Directors

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

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

The directors of SFM Directors Limited and SFM Directors (No.2) Limited and their respective occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Jonathan Eden Keighley	35 Great St. Helen's, London EC3A 6AP	Director
Robert William Berry	35 Great St. Helen's, London EC3A 6AP	Director
John Paul Nowacki	35 Great St. Helen's, London EC3A 6AP	Director

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3A 6AP	Director
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Michael Drew	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Jennifer Jones	35 Great St. Helen's, London EC3A 6AP	Company Secretary
Aline Sternberg	35 Great St. Helen's, London EC3A 6AP	Company Secretary

The company secretary of Holdings is SFM 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 2015.

Holdings has no employees.



## THE SELLER

Ertow Holdings Limited (the "**Seller**") is a private limited company incorporated in Ireland on 16 April 2014 (registration number 542666 and registered address at Pinnacle 2, Eastpoint Business Park, Dublin 3, Ireland) in order to acquire certain of the residual certificates issued by the Original Seller.

The Loans comprised in the Portfolio were previously owned by the Original Seller. The Seller purchased the Portfolio on 26 January 2015 from the Original Seller pursuant to the terms of certain residual certificates issued by the Original Seller (and acquired by the Seller on 31 July 2014) pursuant to the terms of the Alba Mortgage Sale Agreement.

The Seller entered into a profit participating loan agreement with the Retention Holder on 29 July 2014 (as amended and restated from time to time) (the "**PPL**"), pursuant to which the Retention Holder agreed to make a loan available to the Seller which the Seller is permitted to use to invest in certain financial assets, subject to the terms of such profit PPL. Pursuant to the terms of the PPL, all available amounts received by the Seller in relation to the Loans (including the proceeds of any sale of the Loans) are passed by the Seller to the Retention Holder.

The Seller has covenanted to limit its activities to holding certain classes of the Notes and entering into the PPL. It has also agreed not to issue any further shares or incur any further indebtedness other than under the PPL.

The Seller has also given certain undertakings in relation to the holding of the Minimum Required Interest by the Retention Holder, which are set out in the section headed "*EU Risk Retention Requirements*".

## **THE SERVICER AND THE LEGAL TITLE HOLDER**

Pepper (UK) Limited (trading as Engage Credit and formerly known as Engage Credit Limited) is a private limited company incorporated in England and Wales on 29 March 2008 (registration number 06548489). Among other services, Pepper (UK) Limited provides third party residential mortgage administration services to its clients on mortgage loans secured by residential real estate in the United Kingdom.

Pepper (UK) Limited is authorised and regulated by the Financial Conduct Authority under registration number 484078. Pepper (UK) Limited holds relevant licences under the CCA and maintains applicable registrations under the Data Protection Act 1998.

Pepper (UK) Limited has servicer ratings of RPS2, RSS2+, and RMS2 by Fitch Ratings Limited.

The registered office of Pepper (UK) Limited is at 114a Cromwell Road, London SW7 4ES.

## THE RETENTION HOLDER

Burlington Loan Management Limited (the "**Retention Holder**") is a private limited company incorporated in Ireland on 24 April 2009 (registration number 470093 and registered address at Pinnacle 2, Eastpoint Business Park, Dublin 3, Ireland).

The Retention Holder is funded by issuing profit participating notes under a \$10,000,000,000 Notes programme due 1 November 2060. The notes are unsecured and are admitted to the Official List of the Irish Stock Exchange and to trading on its Global Exchange Market.

The Retention Holder is exposed to the Seller by virtue of a profit participating loan agreement entered into with the Seller on 29 July 2014 (as amended and restated from time to time) (the "**PPL**"), pursuant to which the Retention Holder has agreed to make a loan available to the Seller which the Seller is permitted to use to invest in certain financial assets, subject to the terms of such PPL. Pursuant to the terms of the PPL, all available amounts received by the Seller in relation to the Loans (including the proceeds of any sale of the Loans) are, and all available amounts received by the Seller in respect of the Class Z Notes and the Subordinated Notes will be, passed by the Seller to the Retention Holder.

The Retention Holder holds a number of different assets and investments. As at the date of its last audited financial accounts on 31 December 2013, the total assets of the Retention Holder were USD 4,385,907,582.

## **THE CASH MANAGER**

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 399 Park Avenue, New York, NY 10043, 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.

## **ISSUER 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 399 Park Avenue, New York, NY 10043, 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**

Citicorp Trustee Company Limited ("CTCL") was incorporated on 24 December 1928 under the laws of England and Wales and has its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, with a company number 235914.

CTCL is an indirect wholly-owned subsidiary of Citigroup Inc., a diversified global financial services holding company incorporated in Delaware.

CTCL is regulated by the UK's Financial Conduct Authority.

## THE ORIGINAL SELLER AND THE ORIGINATORS

The information in this section in relation to the Original Seller has been obtained from the prospectus for Alba 2013-1 PLC dated 27 June 2013 and has not been verified or updated by the Issuer, the Original Seller, the Seller or the Retention Holder (or any of their respective affiliates) and no assurance can be given as to its current corporate status.

Alba 2013-1 plc (the "**Original Seller**") was incorporated in Jersey as a public company limited by shares under the Companies (Jersey) Law 1991, as amended on 21 May 2013 with registered number 113044. The registered office of the Original Seller is at First Island House, Peter Street, St. Helier, Jersey JE4 5NW. The Original Seller acts from its office at Fifth Floor, 100 Wood Street, London EC2V 7EX. The Original Seller is authorised to issue 10,000 shares of £1.00 each, all of which are owned by or on behalf of The Law Debenture Trust Corporation (Channel Islands) Limited which is a resident of Jersey in its capacity as trustee of a discretionary trust. There are no other equity interests in the Original Seller that are outstanding.

The Original Seller was established as a special purpose vehicle for the purpose of issuing asset backed securities. The Original Seller has no subsidiaries.

### **The Originators**

The information in this section in relation to the Originators has been obtained from the prospectus for Alba 2013-1 PLC dated 27 June 2013 and has not been verified or updated by the Originators.

#### *Amber Homeloans Limited*

Amber Homeloans Limited ("**Amber**") is a private limited company with company number 02819645 incorporated in England and Wales under the Companies Act 1985 on 19 May 1993. Amber was originally known as Pinkard Limited, but changed its name to Stroud and Swindon Mortgage Company on 6 September 1993 and to Stroud and Swindon Mortgage Company (No 2) Limited on 9 February 1994. It became known as Amber on 4 June 2001.

Since its incorporation, Amber has been engaged in carrying out the business of loan origination in the United Kingdom but withdrew from the lending market in April 2008 after a decision was made to focus all attention on managing the existing loan portfolio.

The registered office of Amber is The Bailey, Skipton, North Yorkshire, United Kingdom BD23 1DN.

#### *Edeus Mortgage Creators Limited (in liquidation)*

Edeus Mortgage Creators Limited ("**Edeus**") (formerly Oakwood Home Credit Mortgages Limited) is a private limited company incorporated on 23 February 2006 under the laws of England and Wales (registration number 057201723). Edeus was placed into liquidation on 27 May 2010 having previously carried on the business of loan origination in the United Kingdom.

The registered office of Edeus is at c/o KPMG LLP, One Snowhill, Queensway, Birmingham B4 6GH.

#### *Kensington Mortgage Company Limited*

Kensington Mortgage Company Limited ("**Kensington**") is a company incorporated under the laws of England and Wales (registration number 03049877) on 26 April 1995, having its registered office at Reading International Business Park, Basingstoke Road, Reading, Berkshire RG2 6DB. It is a company whose purpose is advancing or acquiring residential mortgage loans to borrowers in England and Wales, Northern Ireland and Scotland.

*GMAC-RFC Limited*

GMAC-RFC Limited (currently known as Paratus AMC Limited) ("**GMAC-RFC**") is a private limited company incorporated in England and Wales under the Companies Act 1985 on 6 January 1998.

GMAC-RFC originated mortgage loans to borrowers in England, Wales and Scotland until 2008 and has also in the past originated mortgage loans to borrowers in Northern Ireland. Following a change in 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 is at 5 Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA.



## THE COLLECTION ACCOUNT BANK

Barclays Bank PLC will act as Collection Account Bank.

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from 'Barclays Bank International Limited' to 'Barclays Bank PLC'.

Barclays Bank PLC (together with its subsidiary undertakings, the "**Bank Group**") is engaged in personal banking, credit cards, corporate and investment banking, wealth and investment management services. The Bank Group is structured around four core businesses: Personal and Corporate Banking, Barclaycard, Africa Banking and the Investment Bank. Businesses and assets which no longer fit the Bank Group's strategic objectives, are not expected to meet certain returns criteria and/or offer limited growth opportunities to the Group, have been reorganised into Barclays Non-Core. These assets are designated for exit or run-down over time. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC. Barclays PLC (together with its subsidiary undertakings, the "**Group**") is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term unsecured unsubordinated obligations of Barclays Bank PLC are rated A by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Bank Group's audited financial information for the year ended 31 December 2014<sup>1</sup>, the Bank Group had total assets of £1,358,693m (2013: £1,344,201m), total net loans and advances<sup>2</sup> of £470,424m (2013: £474,059m), total deposits<sup>3</sup> of £486,258m (2013: £487,647m), and total shareholders' equity of £66,045m (2013: £63,220m) (including non-controlling interests of £2,251m (2013: £2,211m)). The profit before tax from continuing operations of the Bank Group for the year ended 31 December 2014 was £2,309m (2013: £2,885m) after credit impairment charges and other provisions of £2,168m (2013: £3,071m). The financial information in this paragraph is extracted from the audited consolidated financial statements of Barclays Bank PLC for the year ended 31 December 2014.

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<sup>1</sup> As noted in the financial statements of the Bank for the year ended 31 December 2014, the prior year (2013) has been restated to reflect the IAS 32 (revised) standard.

<sup>2</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>3</sup> Total deposits include deposits from bank and customer accounts.

## **THE CORPORATE SERVICES PROVIDER**

Structured Finance 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.

Structured Finance 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 Issuer (with prior written consent of the Security Trustee) and, following delivery of an Enforcement Notice, the Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice to the Corporate Services Provider (with a copy of such notice to the Issuer).

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee (with a copy of such notice to the Issuer and the Servicer) or the Issuer (with a copy of such notice to the Security Trustee and the Servicer), 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.

## THE LOANS

### The Portfolio

#### Introduction

The following is a description of some of the characteristics of the Loans comprised in the Portfolio, including details of loan types and selected statistical information. No assurance can be given that the Loans in the Portfolio were actually originated to the following criteria.

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 comprises loans advanced to the Borrowers upon the security of residential property situated in England, Wales, Northern Ireland or Scotland, such loans acquired pursuant to the Mortgage Sale Agreement, other than Loans which have been repaid or which have been purchased from the Issuer pursuant to the Mortgage Sale Agreement.

#### *Origination of the Portfolio*

The Portfolio comprises of Loans originated by Amber Homeloans Ltd ("**Amber**"), Edeus Mortgage Creators Limited ("**Edeus**"), Kensington Mortgage Company Limited ("**Kensington**") and GMAC-RFC Limited (currently known as Paratus AMC Limited) ("**GMAC-RFC**") (together each of Amber, Edeus, Kensington and Paratus are referred to as the "**Originators**").

#### *Security*

All of the Loans are secured by first ranking mortgages or (in Scotland) standard securities.

#### *Interest Rate Types*

The Portfolio consists of Loans which have a variable interest rate (the "**Floating Mortgage Rate**") that is based on three-month LIBOR, the Bank of England base rate ("**BBR**") or the relevant SVR plus, for each mortgage, a fixed margin expressed as a percentage over the Floating Mortgage Rate.

### 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. Overpayments are allowed on all products, within certain limits. See "*Overpayments and Early Repayment Charges*" below.

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;
- "**Interest-only Loan**": the Borrower makes monthly payments of interest but not of principal so that, when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum; or

- **combination Repayment and Interest-only:** this situation most often occurs when the Borrower had an interest only Loan with a repayment vehicle on a prior mortgaged property, and after selling that mortgaged property the Borrower purchased a property with a Loan where the subsequent home was either more expensive than the prior home or the Borrower took out a larger Loan or further advance. The Borrower used the existing interest only repayment vehicle for the substitute Loan or further advance and made up the difference between the anticipated maturity value of the interest only repayment vehicle and the higher Loan amount with a repayment mortgage. The required monthly payment in connection with repayment Loans or interest only Loans may vary from month to month for various reasons, including changes in interest rates.

The required monthly payment in respect of the Loans may alter from month to month for various reasons, including changes in interest rates.

For Interest-only 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, subject to the payment of any Early Repayment Charges (as described in "*Overpayments and Early Repayment Charges*" below). 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 from a bank or building society account; and
- standing order from a bank or building society account.

### ***Overpayments and Early Repayment Charges***

**Overpayments** – Overpayments are allowed on all products, although an Early Repayment Charge may be payable. Borrowers may either increase their regular monthly payments above the normal monthly payment then applicable or make lump sum payments at any time.

For the Loans in the Portfolio, if Borrowers with daily calculations of interest pay more than the scheduled monthly payment, the overpayment amount will be applied to the balance on their mortgage loan, which will be reduced accordingly, and, if applicable, any Early Repayment Charge will be incurred. The Servicer will charge interest on the reduced balance, which reduces the amount of interest the Borrower must pay.

**Early Repayment Charges** – The Borrower may be required to pay an Early Repayment Charge if certain events occur during the predetermined product period and the Servicer has not waived or revised its policy with regards the payment of early repayment charges. These events include a full or partial unscheduled repayment of principal, or an agreement between the Servicer and the Borrower to switch to a different mortgage product. If all or part of the principal owed by the Borrower, other than the scheduled monthly payments, is repaid before the end of the product period, the Borrower may be liable to pay a repayment fee based on the amount repaid or switched to another product.

Amounts of principal may be prepaid in full or in part on any Business Day. The Borrower may make an early repayment of a part of the principal due on the relevant Loan.

### ***Title to the Portfolio***

Pursuant to and under the terms of the Mortgage Sale Agreement dated on or about the Closing Date, the Seller will transfer to the Issuer the equitable or (in respect of the Scottish Loans) beneficial title to the Loans and their Related Security. Pursuant to the terms of the Servicing Agreement, the Legal Title Holder will retain legal title to the Loans and their Related Security, and the Issuer has undertaken to seek the transfer of legal title, only following the occurrence of a Perfection Event (as set out below) or in connection with the termination of the appointment of the Servicer.

None of the above mentioned transfers to the Issuer is to be completed by registration at the Land Registry or the Registers of Scotland (as the case may be) or notice given to the relevant Borrowers until the occurrence of one of the events mentioned below. The English Loans and the Northern Irish Loans in the Portfolio and their Related Security are accordingly owned in equity only by the Issuer pending such registration and notification and the Scottish Loans in the Portfolio and their Related Security are accordingly held on trust for the Issuer pending such registration and notification. Legal title in the Loans and their Related Security will continue to be vested in the Legal Title Holder until the occurrence of a Perfection Event or the termination of the appointment of the Servicer. In the case of the Loans secured over registered land in England, Wales or Northern Ireland or registered or recorded land in Scotland which will be transferred to the Issuer on the Closing Date, the Legal Title Holder has agreed to remain on the Land Registry or the Registers of Scotland, as applicable, as the legal mortgagee or as heritable creditor. Following the occurrence of a Perfection Event, the Legal Title Holder has agreed, in the Servicing Agreement, to transfer legal title to the Issuer, which transfer will be perfected by steps including filing forms and assignments of standard securities at the Land Registry or the Registers of Scotland and notifying the Borrower of such transfer, as applicable, by the Issuer.

The Issuer will grant a first fixed charge in favour of the Security Trustee over its interest in the Loans (being, in respect of the Scottish Loans, an assignment in security of its interest in and to the Scottish Declaration of Trust and the trust constituted thereunder).

Save as mentioned below, the Security Trustee has undertaken not to effect any registration at the Land Registry or the Registers of Scotland (as the case may be) to protect the sale of the Loans to the Issuer or the granting of security over the Loans 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 Loans.

Notices of the equitable assignments or declarations 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 Loans.

As noted above, until the occurrence of a Perfection Event, the Issuer and the Security Trustee will not take actions to effect a transfer of legal title to the Loans and their Related Security to the Issuer. The following events constitute Perfection Events:

- (a) the Legal Title Holder being required to perfect legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Legal Title Holder or by any organisation of which the Legal Title Holder is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Legal Title Holder to comply, to perfect legal title to the Loans and their Related Security; or
- (b) it becoming necessary by law to do any or all of the acts referred to in paragraph (a) above; or
- (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; or
- (d) the Legal Title Holder calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or

- (e) an Insolvency Event occurring in relation to the Servicer or it becomes subject to Insolvency Proceedings; or
- (f) it becomes unlawful in any applicable jurisdiction for the Servicer to hold legal title in respect of any Loan or its Related Security.

Following the occurrence of a Perfection Event, the Issuer and the Security Trustee will each be entitled to take all necessary steps to perfect legal title to its interests in the Loans and their Related Security, including the carrying out of any necessary registrations, recordings and notifications. In furtherance of these rights, the Legal Title Holder has granted the Issuer and the Security Trustee an irrevocable power of attorney to take certain action in the name of the Legal Title Holder (including action required to perfect a legal transfer of the Loans and their Related Security).

The Issuer has no recourse against any Originator for any breach of a representation or warranty given by any Originator to the Seller or any previous purchaser of the beneficial title to the Loans and their Related Security.

### ***Interest Rate Setting for Mortgage Loans***

The applicable rate of interest accruing under each Loan is referred to as the "**Mortgage Rate**". The Portfolio consists of:

- (a) BBR-Linked Loans;
- (b) LIBOR-Linked Loans; and
- (c) SVR Loans.

As at the Portfolio Reference Date, the Portfolio consists of approximately (i) 19.67 per cent. by Current Balance of Loans which are Loans linked to three-month LIBOR (the "**LIBOR-Linked Loans**") where the applicable Mortgage Rate is calculated by reference to LIBOR plus a fixed margin expressed as a percentage over three-month LIBOR; (ii) 78.58 per cent. by Current Balance of the Loans which are BBR-linked mortgage loans (the "**BBR-Linked Loans**") where the applicable Mortgage Rate is calculated by reference to the Bank of England base rate plus a fixed margin expressed as a percentage over BBR and (iii) 1.75 per cent. by Current Balance of the Loans which are subject to either of the Legal Title Holder's prevailing published standard variable rates (each such rate, an "**SVR**" or "**Standard Variable Rate**") from time to time ("**SVR Loans**").

LIBOR for the LIBOR-Linked Loans is determined quarterly in relation to the Loans by the Servicer on behalf of the Issuer.

There are two prevailing SVRs set by the Servicer on behalf of the Legal Title Holder. To the best of the Seller's knowledge, the SVRs are not subject to any cap or floor over a specified market index.

### ***Non-Conforming Borrowers***

The Portfolio comprises of Loans to Borrowers who have previously been subject to poor credit history, are self-employed, have self-certified their incomes or are 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 made to prime borrowers and therefore carry a higher degree of risk.

The Loans have been underwritten generally in accordance with the underwriting standards of the relevant Originator. 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 mitigating risks in lending to Non-Conforming Borrowers.

The Seller was not the originator of such Loans and therefore was not involved in the origination of the Loans and has no knowledge of the lending criteria applicable to any Loan.

### ***Right to Buy Loans***

The Portfolio includes right to buy mortgage loans ("**Right to Buy Loans**"), each being a loan entered into by a Borrower as a means to purchase, refinance or improve a residential property from a local authority or certain other landlords under "right to buy" schemes which are subject to the provisions of the Housing Act 1985 (as amended by the Housing Act 2004) (in the case of English Mortgages) (as applicable) or the Housing (Scotland) Act 1987 (as amended) (in the case of Scottish Mortgages).

### ***Mortgage Payment Dates***

All Borrowers are obliged to make monthly payments of interest and, if applicable, principal as required by the conditions of the Loans contained in the relevant Mortgage Documents. The Loans have payment dates throughout the month.

### **General provisions applicable to the Mortgage Loans**

#### ***Valuation***

Investors should be aware that, other than the valuation of Properties undertaken as at origination, no revaluation of any Property has been undertaken by the Seller, the Retention Holder, the Issuer or the Servicer (as the case may be), the Security Trustee or any other person in respect of the issue of the Notes and the Residual Certificates and the valuations quoted are at the date of the original mortgage loan origination.

#### ***Enforcement Procedures***

The Servicer has established procedures to adhere to when managing mortgage loans that are in arrears ("**Enforcement Procedures**"), including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing, agreeing payment plans with the related Borrower and deciding to take or not to take enforcement action against the Borrower and/or in respect of the Property. These same procedures as from time to time varied in accordance with the practice of a Reasonable, Prudent Residential Mortgage Servicer as dictated by the Servicer will continue to be applied in respect of arrears arising on the Mortgage Loans. In this context, the Enforcement Procedures will be operated by the Servicer.

#### ***Servicing of the Portfolio***

The Servicer will be required from the Closing Date to service the Portfolio as an agent of the Issuer and the Security Trustee and, where applicable, the Legal Title Holder under and in accordance with the terms of the Servicing Agreement. The duties of the Servicer will include, among other things:

- operating the Collection Account and ensuring that payments are made into and from the Collection Account in accordance with the Servicing Agreement;
- notifying the Borrowers of any change in their Monthly Instalments;
- providing a redemption statement upon the request of a Borrower or the Borrower's solicitor or licensed or qualified conveyancer;

- taking reasonable steps to recover all sums due to the Issuer in accordance with the Servicing Agreement, including by the institution of proceedings and/or the enforcement of any Mortgage or any Related Security; and
- taking actions and doing things pursuant to the Servicing Agreement which it would be reasonable to expect a Reasonable, Prudent Residential Mortgage Servicer to do in administering its mortgages.

"**Collection Account**" means the account held in the name of the Legal Title Holder with the Collection Account Bank or any other account designated to fall within this definition by agreement in writing between the Legal Title Holder, the Issuer and the Security Trustee, from time to time.

"**Collections**" means Revenue Receipts and Redemption Receipts.

### ***Enforcement Procedures***

The Servicer has established procedures for managing loans which are in arrears, 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 Residential Mortgage Servicer 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 Loans.

"**Reasonable, Prudent Residential Mortgage Servicer**" means a reasonably prudent residential mortgage servicer who is servicing residential mortgage loans and their collateral security in respect of residential property in England, Wales, Northern Ireland or Scotland and which have in all material respects the same or similar characteristics to the Portfolio.

In order to realise its security in respect of a Property, the relevant mortgagee or, as applicable, heritable creditor (be it the legal owner (the Legal Title Holder), the equitable or, as the case may be, the beneficial owner (the Issuer), 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 or, as applicable, heritable creditor takes physical possession, it will, as mortgagee or, as applicable, heritable creditor 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 or decree in favour of the relevant mortgagee or, as applicable, heritable creditor 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 or, as applicable, heritable creditor 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 or, as applicable, heritable creditor 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 or, as applicable, heritable creditor to sell the Property within a reasonable time.



## ***Insurance Contracts***

### ***Buildings Insurance***

There are no insurance policies, including block insurance policies, in place in relation to the Loans other than those taken out by individual Borrowers.

### **Credit Risk Mitigation**

The Retention Holder has, via the Seller, entered into contracts in relation to the purchase, on-sale and servicing of the portfolio. As a consequence there are in place policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation.

The policies and procedures in this regard broadly include the following:

- (a) it is not anticipated that Further Advances will be granted under the Loans and the Seller has represented and warranted that the Mortgage Documents contain no obligation on the part of the Seller or the Legal Title Holder to make any Further Advance. However, the Servicer, on behalf of the Issuer and the Legal Title Holder would apply criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits (as to which, in relation to the Loans, please see the information set out in this Prospectus headed "*Summary of the Key Transaction Documents – Servicing Agreement*");
- (b) the Servicer, on behalf of the Issuer and the Legal Title Holder, will have in place systems to administer and monitor the various credit-risk bearing portfolios and exposures (as to which it should be noted that the Portfolio will be serviced in line with the servicing procedures of the Servicer – please see further the section of this Prospectus headed "*Summary of the Key Transaction Documents – Servicing Agreement*");
- (c) the Retention Holder entered into a profit participating loan agreement with the Seller on 29 July 2014, the proceeds of which the Seller used to acquire the Portfolio from the Original Seller, having regard to the diversification of the Portfolio based on its credit strategy (as to which, in relation to the Portfolio, please see the section of this Prospectus headed "*Characteristics of the Provisional Portfolio*"); and
- (d) the Servicer on behalf of the Issuer and the Legal Title Holder has policies and procedures in relation to risk mitigation techniques (as to which, please see further the section of this Prospectus headed "*Summary of the Key Transaction Documents – Servicing Agreement*").

### **Governing Law**

Each of the English Loans and any non-contractual obligations arising out of or in connection with them are governed by English law. Each of the Northern Irish Loans and any non-contractual obligations arising out of or in connection with them are governed by Northern Irish Law. Each of the Scottish Loans and any non-contractual obligations arising out of or in connection with them are governed by Scots law.

## CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to a provisional portfolio (the "**Provisional Portfolio**") of £273,466,570.96 as at 31 December 2014 (the "**Portfolio Reference Date**") and is described further in the section entitled "*The Loans*" above.

The information contained in this section has not been updated to reflect any decrease in the size of the Mortgage Portfolio from that of the Provisional Portfolio.

Except as otherwise indicated, these tables have been prepared using the outstanding principal balance as at the Portfolio Reference Date. Columns may not add up to the total due to rounding.

As at the Portfolio Reference Date, the Provisional Portfolio had the following characteristics:

### Summary Statistics

Portfolio Reference Date: .....	31 December 2014
Total Current Balance (£): .....	273,466,570.96
Total Original Balance (£): .....	279,524,513.06
No. of Loans: .....	2,004
Average Current Balance per Loan (£): .....	136,460.36
WA OLTV: * .....	85.32%
WA CLTV: ** .....	84.57%
WA Coupon: .....	2.79%
WA Seasoning (years): .....	7.88
WA Remaining Term (years): .....	14.11
Interest Only: .....	87.28%
Buy-to-let: .....	35.10%
Self-certified Mortgage Product: .....	36.57%

\* Original Balance divided by Original Valuation and weighted by Current Balance.

\*\* Current Balance divided by Original Valuation and weighted by Current Balance.

## Current Balance

<u>Current Balance (£)</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
< 50,000.....	3,487,608.81	1.28%	99	4.94%
50,000 <=x< 75,000 .....	16,645,030.08	6.09%	261	13.02%
75,000 <=x< 100,000 .....	29,333,341.75	10.73%	336	16.77%
100,000 <=x< 125,000 .....	41,759,770.81	15.27%	371	18.51%
125,000 <=x< 150,000 .....	41,119,502.05	15.04%	302	15.07%
150,000 <=x< 175,000 .....	33,073,324.25	12.09%	205	10.23%
175,000 <=x< 200,000 .....	23,978,749.06	8.77%	129	6.44%
200,000 <=x< 225,000 .....	23,576,055.65	8.62%	111	5.54%
225,000 <=x< 250,000 .....	15,256,421.42	5.58%	65	3.24%
250,000 <=x< 275,000 .....	10,463,717.07	3.83%	40	2.00%
275,000 <=x< 300,000 .....	6,606,956.37	2.42%	23	1.15%
300,000 <=x< 325,000 .....	5,023,237.86	1.84%	16	0.80%
325,000 <=x< 350,000 .....	2,040,437.66	0.75%	6	0.30%
350,000 <=x< 375,000 .....	2,899,613.97	1.06%	8	0.40%
375,000 <=x< 400,000 .....	1,536,154.36	0.56%	4	0.20%
>=400,000 .....	16,666,649.79	6.09%	28	1.40%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

## Original Balance

<u>Original Balance (£)</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
< 50,000.....	1,310,628.72	0.48%	44	2.20%
50,000 <=x< 75,000 .....	12,234,625.60	4.47%	210	10.48%
75,000 <=x< 100,000 .....	29,882,534.10	10.93%	368	18.36%
100,000 <=x< 125,000 .....	45,425,273.95	16.61%	417	20.81%
125,000 <=x< 150,000 .....	41,913,118.64	15.33%	312	15.57%
150,000 <=x< 175,000 .....	34,501,116.79	12.62%	218	10.88%
175,000 <=x< 200,000 .....	25,994,107.56	9.51%	141	7.04%
200,000 <=x< 225,000 .....	21,598,673.27	7.90%	102	5.09%
225,000 <=x< 250,000 .....	16,629,948.22	6.08%	71	3.54%
250,000 <=x< 275,000 .....	9,735,106.86	3.56%	37	1.85%
275,000 <=x< 300,000 .....	6,930,367.70	2.53%	24	1.20%
300,000 <=x< 325,000 .....	4,123,999.41	1.51%	13	0.65%
325,000 <=x< 350,000 .....	3,143,244.03	1.15%	10	0.50%
350,000 <=x< 375,000 .....	1,841,021.96	0.67%	5	0.25%
375,000 <=x< 400,000 .....	1,971,409.17	0.72%	5	0.25%
>=400,000 .....	16,231,394.98	5.94%	27	1.35%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

### Original loan-to-value

<u>Original Loan-to-Value</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
< 50% .....	3,108,444.97	1.14%	61	3.04%
50% <=x< 55% .....	2,546,949.26	0.93%	31	1.55%
55% <=x< 60% .....	3,153,460.62	1.15%	30	1.50%
60% <=x< 65% .....	4,919,063.31	1.80%	41	2.05%
65% <=x< 70% .....	5,754,949.02	2.10%	53	2.64%
70% <=x< 75% .....	10,309,916.09	3.77%	80	3.99%
75% <=x< 80% .....	15,573,484.76	5.69%	119	5.94%
80% <=x< 85% .....	34,014,423.44	12.44%	215	10.73%
85% <=x< 90% .....	69,067,680.72	25.26%	484	24.15%
90% <=x< 95% .....	100,272,141.63	36.67%	703	35.08%
95% <=x<= 100% .....	24,746,057.14	9.05%	187	9.33%
<b>Total.....</b>	<b>273,466,570.96</b>	<b>100.00%</b>	<b>2,004</b>	<b>100.00%</b>

### Current loan-to-value

<u>Current loan-to-value</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
< 50% .....	7,285,112.58	2.66%	125	6.24%
50% <=x< 55% .....	2,589,288.83	0.95%	32	1.60%
55% <=x< 60% .....	4,986,454.18	1.82%	53	2.64%
60% <=x< 65% .....	7,102,858.63	2.60%	72	3.59%
65% <=x< 70% .....	6,884,532.98	2.52%	71	3.54%
70% <=x< 75% .....	16,247,818.63	5.94%	133	6.64%
75% <=x< 80% .....	17,128,356.90	6.26%	141	7.04%
80% <=x< 85% .....	26,287,130.64	9.61%	168	8.38%
85% <=x< 90% .....	62,223,764.28	22.75%	388	19.36%
90% <=x< 95% .....	91,101,298.64	33.31%	611	30.49%
95% <=x< 100% .....	29,699,431.85	10.86%	199	9.93%
100% <=x< 105% .....	1,687,508.22	0.62%	10	0.50%
105% <=x< 110% .....	243,014.60	0.09%	1	0.05%
<b>Total.....</b>	<b>273,466,570.96</b>	<b>100.00%</b>	<b>2,004</b>	<b>100.00%</b>

### Origination Year

<u>Origination Year</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
2002 .....	109,204.56	0.04%	3	0.15%
2003 .....	499,950.69	0.18%	4	0.20%
2004 .....	4,125,834.34	1.51%	32	1.60%
2005 .....	93,083.48	0.03%	1	0.05%
2006 .....	74,130,203.05	27.11%	460	22.95%
2007 .....	194,413,845.69	71.09%	1,503	75.00%
2008 .....	94,449.15	0.03%	1	0.05%
<b>Total.....</b>	<b>273,466,570.96</b>	<b>100.00%</b>	<b>2,004</b>	<b>100.00%</b>

## Original Term

<u>Original Term (years)</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
< 8.....	364,646.53	0.13%	2	0.10%
8 <=x< 10.....	3,887,888.10	1.42%	23	1.15%
10 <=x< 12.....	15,207,899.60	5.56%	95	4.74%
12 <=x< 14.....	5,487,550.55	2.01%	44	2.20%
14 <=x< 16.....	18,108,849.32	6.62%	136	6.79%
16 <=x< 18.....	4,818,764.39	1.76%	41	2.05%
18 <=x< 20.....	8,920,947.95	3.26%	66	3.29%
20 <=x< 22.....	51,229,585.26	18.73%	367	18.31%
22 <=x< 24.....	10,485,170.02	3.83%	90	4.49%
24 <=x< 26.....	133,422,002.57	48.79%	939	46.86%
>=26.....	21,533,266.67	7.87%	201	10.03%
<b>Total.....</b>	<b>273,466,570.96</b>	<b>100.00%</b>	<b>2,004</b>	<b>100.00%</b>

## Remaining Term

<u>Remaining Term (years)</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
< 2.....	8,441,239.00	3.09%	47	2.35%
2 <=x< 4.....	12,296,513.25	4.50%	80	3.99%
4 <=x< 6.....	5,555,202.84	2.03%	45	2.25%
6 <=x< 8.....	17,402,824.26	6.36%	132	6.59%
8 <=x< 10.....	6,002,300.70	2.19%	51	2.54%
10 <=x< 12.....	25,896,283.63	9.47%	171	8.53%
12 <=x< 14.....	34,089,325.04	12.47%	260	12.97%
14 <=x< 16.....	12,652,302.83	4.63%	108	5.39%
16 <=x< 18.....	129,915,746.69	47.51%	910	45.41%
18 <=x< 20.....	1,539,547.01	0.56%	15	0.75%
20 <=x< 22.....	2,144,129.53	0.78%	18	0.90%
22 <=x< 24.....	16,227,917.73	5.93%	156	7.78%
>=24.....	1,303,238.45	0.48%	11	0.55%
<b>Total.....</b>	<b>273,466,570.96</b>	<b>100.00%</b>	<b>2,004</b>	<b>100.00%</b>

## Repayment Type

<u>Repayment Type</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Interest Only.....	238,692,720.82	87.28%	1,567	78.19%
Part & Part.....	866,185.71	0.32%	6	0.30%
Principal & Interest.....	33,907,664.43	12.40%	431	21.51%
<b>Total.....</b>	<b>273,466,570.96</b>	<b>100.00%</b>	<b>2,004</b>	<b>100.00%</b>

## Seasoning

<u>Seasoning (years)</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
6 <=x< 7 .....	324,274.78	0.12%	3	0.15%
7 <=x< 8 .....	194,494,772.94	71.12%	1,505	75.10%
8 <=x< 9 .....	73,819,450.17	26.99%	456	22.75%
9 <=x< 10 .....	93,083.48	0.03%	1	0.05%
10 <=x< 11 .....	4,125,834.34	1.51%	32	1.60%
>=11 .....	609,155.25	0.22%	7	0.35%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

## Current Loan Index

<u>Current Loan Index</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
BBR.....	214,898,366.95	78.58%	1,516	75.65%
Three-month LIBOR .....	53,789,801.72	19.67%	449	22.41%
SVR.....	4,778,402.29	1.75%	39	1.95%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

## Current Interest Rate

<u>Current Interest Rate</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
< 1.75% .....	2,731,246.17	1.00%	14	0.70%
1.75% <=x< 2.00% .....	2,333,981.36	0.85%	23	1.15%
2.00% <=x< 2.25% .....	671,498.38	0.25%	3	0.15%
2.25% <=x< 2.50% .....	113,332,618.07	41.44%	739	36.88%
2.50% <=x< 2.75% .....	47,394,895.18	17.33%	409	20.41%
2.75% <=x< 3.00% .....	40,625,178.87	14.86%	323	16.12%
3.00% <=x< 3.25% .....	29,228,850.51	10.69%	201	10.03%
3.25% <=x< 3.50% .....	12,441,587.82	4.55%	84	4.19%
3.50% <=x< 3.75% .....	10,411,895.52	3.81%	86	4.29%
3.75% <=x< 4.00% .....	2,537,530.26	0.93%	20	1.00%
4.00% <=x< 4.25% .....	4,246,060.55	1.55%	36	1.80%
4.25% <=x< 4.50% .....	3,877,596.53	1.42%	34	1.70%
>=4.50% .....	3,633,631.74	1.33%	32	1.60%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

## Current Margin

<u>Current Margin*</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
< 1.00% .....	4,297,135.60	1.57%	33	1.65%
1.00% <=x< 1.25% .....	2,500,377.61	0.91%	12	0.60%
1.25% <=x< 1.50% .....	2,333,981.36	0.85%	23	1.15%
1.50% <=x< 1.75% .....	708,787.00	0.26%	4	0.20%
1.75% <=x< 2.00% .....	113,607,266.27	41.54%	743	37.08%
2.00% <=x< 2.25% .....	44,616,042.02	16.31%	387	19.31%
2.25% <=x< 2.50% .....	40,138,101.62	14.68%	320	15.97%
2.50% <=x< 2.75% .....	29,282,417.33	10.71%	202	10.08%
2.75% <=x< 3.00% .....	12,388,021.00	4.53%	83	4.14%
3.00% <=x< 3.25% .....	10,770,418.07	3.94%	88	4.39%
3.25% <=x< 3.50% .....	2,187,514.75	0.80%	17	0.85%
3.50% <=x< 3.75% .....	4,004,163.34	1.46%	34	1.70%
3.75% <=x< 4.00% .....	3,973,079.28	1.45%	32	1.60%
>=4.50% .....	2,659,265.71	0.97%	26	1.30%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

\*Margin over three-month LIBOR, BBR or SVR

### Loan Purpose

<u>Loan Purpose</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Purchase.....	140,927,699.80	51.53%	1,034	51.60%
Remortgage .....	132,538,871.16	48.47%	970	48.40%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

### Buy-To-Let

<u>Buy-To-Let</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No.....	177,474,139.44	64.90%	1,329	66.32%
Yes.....	95,992,431.52	35.10%	675	33.68%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

### Arrears Multiple

<u>Arrears Multiple</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
0.....	223,608,677.06	81.77%	1,632	81.44%
0 <x< 1 .....	22,322,261.45	8.16%	168	8.38%
1 <=x< 2 .....	12,392,247.92	4.53%	95	4.74%
2 <=x< 3 .....	5,117,445.76	1.87%	33	1.65%
>=3 .....	10,025,938.77	3.67%	76	3.79%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

### Right to Buy

<u>Right to Buy</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No.....	269,534,198.54	98.56%	1,950	97.31%
Yes.....	3,932,372.42	1.44%	54	2.69%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

### First Time Buyer

<u>First Time Buyer</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No.....	222,817,039.25	81.48%	1,592	79.44%
Yes.....	50,649,531.71	18.52%	412	20.56%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

### Self-Certified

<u>Self-Certified</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No.....	173,461,639.16	63.43%	1,343	67.02%
Yes.....	100,004,931.80	36.57%	661	32.98%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>



## Region

<u>Region</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
East Anglia .....	6,909,275.68	2.53%	52	2.59%
East Midlands .....	14,458,944.29	5.29%	134	6.69%
Greater London.....	69,452,009.06	25.40%	314	15.67%
North East.....	10,814,195.63	3.95%	109	5.44%
North West .....	36,130,378.66	13.21%	336	16.77%
Northern Ireland .....	4,418,904.51	1.62%	35	1.75%
Scotland.....	16,109,751.29	5.89%	144	7.19%
South East.....	47,522,143.55	17.38%	291	14.52%
South West .....	17,815,390.41	6.51%	130	6.49%
Wales.....	10,379,635.59	3.80%	97	4.84%
West Midlands.....	22,043,231.08	8.06%	186	9.28%
Yorkshire/Humberside .....	17,412,711.21	6.37%	176	8.78%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

## County Court Judgements (CCJs)

<u>County Court Judgements (CCJs)</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
0.....	243,152,417.37	88.91%	1,759	87.77%
1.....	23,202,809.08	8.48%	192	9.58%
2.....	5,037,462.54	1.84%	40	2.00%
3.....	1,882,182.97	0.69%	11	0.55%
4.....	191,699.00	0.07%	2	0.10%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

## Prior Bankruptcy or Individual Voluntary Arrangement (IVA)

<u>Prior Bankruptcy or Individual Voluntary Arrangement</u>	<u>Current Balance (£)</u>	<u>Current Balance (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No.....	270,596,367.05	98.95%	1,978	98.70%
Yes.....	2,870,203.91	1.05%	26	1.30%
<b>Total.....</b>	<b><u>273,466,570.96</u></b>	<b><u>100.00%</u></b>	<b><u>2,004</u></b>	<b><u>100.00%</u></b>

## SUMMARY OF THE KEY TRANSACTION DOCUMENTS

### Mortgage Sale Agreement

#### *Portfolio*

Under a mortgage sale agreement entered into on or around the Closing Date between, among others, the Seller, the Issuer and the Security Trustee (the "**Mortgage Sale Agreement**"), on the Closing Date, the Seller shall (in consideration for payment of the Initial Consideration and the issuance and payment under the Residual Certificates as detailed below):

- (a) sell, assign or otherwise transfer to the Issuer pursuant to the Mortgage Sale Agreement a portfolio of English and Welsh residential mortgage loans each secured by an English Mortgage and, where applicable, other Related Security (the "**English Loans**");
- (b) sell, assign or otherwise transfer to the Issuer pursuant to the Mortgage Sale Agreement a portfolio of Northern Irish residential mortgage loans each secured by a Northern Irish Mortgage and, where applicable, other Related Security (the "**Northern Irish Loans**"); and
- (c) direct the Legal Title Holder to hold a portfolio of Scottish residential mortgage loans each secured by a Scottish Mortgage and, where applicable, other Related Security sold, assigned or transferred by the Seller to the Issuer pursuant to the terms of the Mortgage Sale Agreement (the "**Scottish Loans**") and their Related Security on trust under the Scottish Declaration of Trust for the benefit of the Issuer.

The English Loans and Northern Irish Loans and their Related Security comprising the Portfolio will be assigned by way of equitable assignment to the Issuer, while the Scottish Loans and their Related Security comprising the Portfolio will be held on trust for the Issuer under a Scottish Declaration of Trust dated the Closing Date, 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 comprising the Portfolio 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 shall be:

- (a) the Initial Consideration in an amount equal to £265,469,000.00, such Initial Consideration being due and payable on the Closing Date; and
- (b) the deferred consideration consisting of the Residual Payments in respect of the Portfolio payable pursuant to the applicable Priority of Payments, the right to such Residual Payments being represented by Residual Certificates to be issued by the Issuer and delivered to the Seller on the Closing Date.

Any Residual Payment payable pursuant to the Residual Certificates will be paid in accordance with the priority of payments set out in the section headed "*Cashflows – Application of Available Revenue Receipts Prior to the Service of an Enforcement Notice on the Issuer*", "*Cashflows – Application of Available Redemption Receipts Prior to the service of an Enforcement Notice on the Issuer*" and "*Cashflows – Distributions Following the Service of an Enforcement Notice on the Issuer*" below.

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

The completion of the transfer, or, in the case of Scottish Loans and their Related Security, assignation, of the Loans and their 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 their Related

Security therefore remains with the Legal Title Holder until the occurrence of a Perfection Event or the termination of the appointment of the Servicer. 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.

The transfers to the Issuer will be completed by or on behalf of the Legal Title Holder on or before the 20th Business Day after any of the following Perfection Events occurs:

- (a) the Legal Title Holder being required to perfect legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Legal Title Holder or by any organisation of which the Legal Title Holder is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Legal Title Holder to comply, to perfect legal title to the Loans and their Related Security; or
- (b) it becoming necessary by law to do any or all of the acts referred to in paragraph (a) above; or
- (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; or
- (d) the Legal Title Holder calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) an Insolvency Event occurring in relation to the Legal Title Holder or it becomes subject to Insolvency Proceedings; or
- (f) it becoming unlawful in any applicable jurisdiction for the Legal Title Holder to hold legal title in respect of any Loan or its Related Security in the Portfolio,

(each of the events set out in paragraphs (a) to (f) inclusive being a "**Perfection Event**").

An "**Insolvency Event**" will occur in respect of an entity in the following circumstances:

- (a) an order is made or an effective resolution passed for the winding-up of the relevant entity (or it proposes or makes any composition or arrangement with its creditors); or
- (b) the relevant entity 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 is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity 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 relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the relevant entity is unable to pay its debts as they fall due or it is deemed under section 123 of the Insolvency Act 1986 to be unable to pay its debts or announces an intention to suspend making payments with respect to any class of undisputed debts; or
- (e) if proceedings are initiated against the relevant entity under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the relevant entity or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of relevant entity, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a

petition for an administration order), unless initiated by the relevant entity, is not discharged within 30 days; or

(f) any analogous procedure or step is taken in any jurisdiction.

Following a Perfection Event, notice of the legal assignments and assignments will be given to the Borrowers and the Issuer will take steps to register and record such legal assignments and assignments at the Land Registry and Registers of Scotland (as applicable).

Save for Title Deeds held at the Land Registry or the Registers of Scotland (as the case may be), all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by the Legal Title Holder or the Servicer (on behalf of the Legal Title Holder) or its solicitors or agents and the Title Deeds are held in dematerialised form or are returned to the Borrower's solicitors, and in relation to the Title Deeds held at the Registers of Scotland in respect of Properties title to which is recorded in the General Register of Sasines, such Title Deeds are held on the basis that they (other than the dematerialised copies of the Title Deeds) shall be returned to the Legal Title Holder or the Servicer or its solicitors or agents.

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.

**"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 relevant Borrower of the related Mortgage.

**"Loan Files"** means, in relation to a Mortgage Loan, the customer file (in paper and/or electronic form (including files kept in microfiche format or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system)) maintained by the Servicer or its agents on behalf of the Issuer which may contain, inter alia, some or all of the following correspondence between the Borrower and the relevant Originator and/or any other person who has held title to any Loan and/or the Seller, the mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable), but excluding the Title Deeds.

**"Valuation Report"** means the valuation report or reports for mortgage purposes, in the form of one of the pro forma contained in the Standard Documentation, obtained by the relevant Originator from a valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Residential Mortgage Lender and which has been approved by the relevant officers of the relevant Originator.

#### *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.

#### *Representations and Warranties*

On the Closing Date, the Loan Warranties (described below in "*Representations and Warranties*") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.

The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller on the Closing Date pursuant to the Mortgage Sale Agreement (the "**Loan Warranties**") include, *inter alia*, similar

statements to the following effect (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also "*The Loans - Insurance Contracts*" above:

- (a) Each Loan and its Related Security constitute a legal, valid and binding obligation of the relevant Borrower enforceable in accordance with its terms (except that (1) enforceability may be limited by the bankruptcy or insolvency of the Borrower or by the application of the UTCCR, the CPUTRs or the FSMA and (2) no warranty is given in relation to any obligation of the Borrower to pay prepayment charges, mortgage administration exit fees or charges payable in the event of Borrower default) and each Related Security secures the repayment of all advances, interest, costs and expenses payable by the (other than in relation to any payment charges);
- (b) To the extent that any Loan and its Related Security is subject to the UTCCR and as far as the Seller is aware, no action whether formal or informal has been taken by the CMA, the FCA or a "qualifying body" as defined in the UTCCR, against the Seller, the Originators or the Legal Title Holder pursuant to the UTCCR or otherwise which might restrict or prevent the use in any Loan or their Related Security of any material term or the enforcement of such terms;
- (c) Immediately prior to the transfer of the Loans under the Mortgage Sale Agreement, the Seller was the absolute beneficial owner of all of such Loans and the Related Security to be sold to the Issuer thereunder at the Closing Date or (in relation to the Scottish Loans) had the right (as contractual owner of such Loans) to become the beneficial owner of such Loans as at the Closing Date, and the Seller has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged released, disposed of, held in trust or otherwise dealt with the benefit of any of the Loans or their Related Security or any of the property, rights, title, interest or benefit to be sold or assigned pursuant to the Mortgage Sale Agreement in any way whatsoever other than pursuant to the Mortgage Sale Agreement;
- (d) Each Loan is secured by a valid and subsisting first legal mortgage (or, in Scotland, first ranking standard security) over the Property to which it relates (subject to completion of any registration or recording requirements at the Land Registry or the Registers of Scotland or the Land Registry of Northern Ireland and/or the Registry of Deeds (as applicable) and (in those cases) there is nothing to prevent that registration or recording being effected) other than the two Loans and their Related Security that are disclosed in the Mortgage Sale Agreement, which are secured by a valid and subsisting economically first ranking mortgage over the Property to which such Loan and its Related Security relate;
- (e) No lien or right of set-off or counterclaim has been created or arisen between the Borrower and the Legal Title Holder which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Loan;
- (f) All things necessary to perfect the vesting of the legal title to each Loan and to Related Security in the Legal Title Holder have been duly done or are in the process of being done;
- (g) The Legal Title Holder holds or will hold, upon completion of any pending applications for registration or recording of the Legal Title Holder as legal title holder of any Mortgages at the Land Registry or heritable creditor at the Registers of Scotland or as legal title holder of any Mortgages at the Land Registry of Northern Ireland and/or the Registry of Deeds (as applicable), legal title to all Loans and related Mortgages and the Related Security;
- (h) Each Property is a residential property located in England, Wales, Northern Ireland or Scotland;
- (i) Each Loan and its Related Security was made on the same terms as are set out in the Standard Documentation without any material variation thereto, or where there were any changes, such changes would have been acceptable to a Reasonable, Prudent Residential Mortgage Lender;

- (j) Prior to making a Loan, reasonable steps were taken to verify that the requirements of the Lending Criteria were met in all cases, subject only to exceptions made on a case-by-case basis and in accordance with the relevant Originator's internal policies;
- (k) As of the Portfolio Reference Date, not more than 10.20 per cent. of the Portfolio by Current Balance comprises Loans which have an arrears balance which is greater than or equal to the value of the Monthly Instalment payable immediately before the Portfolio Reference Date;
- (l) At the time of origination of the relevant Loan, a valuation of the relevant Property was undertaken that would be acceptable to a Reasonable, Prudent Residential Mortgage Lender provided that no breach of this warranty will occur in respect of the nine Loans and their Related Security that are disclosed as being in breach of this warranty in the Mortgage Sale Agreement;
- (m) Neither the Seller nor the Legal Title Holder have, in writing, waived or acquiesced in any breach of any of its rights in respect of a Loan or its Related Security, other than in relation to any payment default in respect of those Loans;
- (n) So far as the Seller is aware, having made all appropriate investigations with the Servicer, no Borrower is or has, since the date of origination of the relevant Loan, been in material breach of any obligation owed in relation to that Loan and/or its Related Security (other than in relation to any payment default in respect of those Loans);
- (o) Each Borrower is a natural legal person and, so far as the Seller is aware, (i) was aged 18 years or older at the date that he or she executed the relevant Loan and its Related Security, (ii) every person who had attained the age of 18 and who had been notified to the Originator as being in or about to be in actual occupation of the relevant Property, is either named as a Borrower or has signed a deed of consent so as to ensure that the relevant Property is not subject to any right of occupancy and (iii) in relation to each Scottish Mortgage, all necessary MHA/CP Documentation has been obtained so as to ensure that the relevant Property and relevant Scottish Mortgage is not subject to any right of occupancy;
- (p) Each Loan was originated in, is denominated in, and all amounts in respect of such Loan are payable in, Sterling and may not be changed by the relevant Borrower to any other currency;
- (q) Since the making of each Loan, such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceeds relating to that Loan and its Mortgage and Related Security have been kept and all such accounts, books and records are in the possession of the Legal Title Holder;
- (r) The amount of each Loan has been fully advanced to the Borrower and the Mortgage Documents contain no obligation on the part of the Seller or the Legal Title Holder to make any Further Advance or a Port;
- (s) In relation to each Related Security over a Property in England and Wales, the Borrower has a good and marketable title to the relevant Property, in relation to each Scottish Loan, the Borrower has a valid and marketable title to the relevant property and in relation to each Northern Irish Loan, the Borrower has a good and marketable title to the relevant Property, and the relevant Property has been registered or recorded or is in the course of registration with such title as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender;
- (t) All the Loans in respect of Properties located in (i) England and Wales are governed by English law; (ii) Scotland are governed by Scots law and (iii) Northern Ireland are governed by Northern Irish law;

- (u) Except in the case of Loan which is the subject of a policy of insurance in respect of title (howsoever described) to a relevant Property issued by a provider of such policies, at the date of origination of each Loan, so far as the Seller is aware, the relevant Originator received from its solicitors a certificate of title or report on title to the title to the relevant Property addressed to the relevant Originator. So far as the Seller is aware, such certificate of title or report on title disclosed nothing which would, if applicable, after further investigation, cause a Reasonable, Prudent Residential Mortgage Lender to decline to proceed with the Loan on the proposed terms provided that no breach of this warranty will occur in respect of the nine Loans and their Related Security that are disclosed as being in breach of this warranty in the Mortgage Sale Agreement;
- (v) So far as the Seller is aware, as at the date hereof, each Individual Building Policy in full force and effect, valid and enforceable and, so far as the Seller is aware, all premiums have been paid and there is no reason why an insurer may refuse to accept liability under a relevant Individual Building Policy;
- (w) There is no claim outstanding under any Title Insurance Policy relating to a Loan. Each such policy is in full force and effect, all premiums have been paid and, as far as the Seller is aware, there are no circumstances giving the title insurer under any such Title Insurance Policy the right to avoid or terminate such policy in so far as it relates to the Properties or to reduce the amount payable thereunder;
- (x) As far as the Seller is aware, neither the relevant Originator nor any other person who has held title in any Loan has waived or agreed to waive any of its rights against any valuer, solicitor or other professional who has provided information, carried out work or given advice in connection with any Loan and the Related Security;
- (y) Except for documents which have been submitted with an application for Related Security and such application is still pending, the customer file, the deed constituting the relevant Mortgage and any documents of title of the relevant Property are held by or to the order of the Legal Title Holder;
- (z) No Loan is wholly or partly regulated by the CCA or by the FSMA as a regulated credit agreement under article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) or treated as such, or, to the extent that it is so regulated or partly regulated or treated as such, the Seller has complied with all of the relevant legal requirements of, and procedures set out in, the CCA or the FSMA and all secondary legislation made pursuant thereto and the FCA handbook, as applicable. In relation to any Loan which is a regulated mortgage loan within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, so far as the Seller is aware, all requirements of MCOB have been complied with in all material respects in connection with the origination, documentation and administration of such Loan (as applicable);
- (aa) In relation to any leasehold property, in any case where the Legal Title Holder or any other person who has held title in any Loan has received written notice from the relevant landlord that it is or may be taking steps or forfeit or (in respect of leasehold property in Scotland) irritate the lease of that Property, the Legal Title Holder or any other person who has held title in any Loan has taken such steps (if any) and in such time as would be taken by a Reasonable, Prudent Residential Mortgage Lender to protect its security and Loan;
- (bb) So far as the Seller is aware having made reasonable enquiries of the Servicer, neither the Legal Title Holder, the Seller nor any other person who has held title in any Loan have received written notice of any litigation or claim calling into question in any material way the legal and/or beneficial title to any Loan or the Related Security of the Legal Title Holder or its ability to fully and effectively enforce the same;

- (cc) So far as the Seller is aware, it being acknowledged that the Seller is not under a duty to make any enquiry or investigation in order to satisfy itself of the same, no fraud, misrepresentation or concealment has been perpetrated in respect of any Loan by:
- (i) any person who prepared a valuation of a Property; or
  - (ii) any solicitors who acted for the Seller in relation to any Loan; or
  - (iii) any insurance broker or agent in relation to any insurance contract relating to a Loan; or
  - (iv) any Borrower of any Loan; or
  - (v) any other party within the knowledge of the Seller,
- which would result in any monies owed by any of the Borrowers not being unlikely to be repaid in full under the terms of any of the Loans;
- (dd) Interest on each Loan is charged in accordance with the provisions of the Loan and its related Mortgage and is payable monthly in arrear;
- (ee) Other than the Seller selling a Loan, the only third party having an interest in such Loan, the Related Security and other rights granted to or held for the Seller and being the subject of the Mortgage Sale Agreement is the Legal Title Holder in its capacity as bare trustee of the legal title to the Loans and Related Security;
- (ff) The information relating to the Loans as set out in the annexure to the Mortgage Sale Agreement is true and accurate in all material respects;
- (gg) The Loans (i) constitute financial assets for purposes of UK generally accepted accounting practice and (ii) are not shares;
- (hh) In the case of each Loan which is secured over leasehold property which is not the subject of a Title Insurance Policy, so far as the Seller is aware:
- (i) any requisite consent of the landlord to, or notice to the landlord of, the creation of the Mortgage has been obtained or given (as applicable); and
  - (ii) a copy of the relevant consent or notice has been placed with the title deeds;
- (ii) All Loans and Related Security are freely assignable and no formal approvals, consents or other steps are necessary to permit a legal or an equitable or beneficial transfer of or the creation of a trust over the Loans and Related Security, no notification to any Borrower is required to effect any equitable or beneficial transfer of the Loans and Related Security are not subject to any contractual confidentiality restrictions which may restrict the ability of the Issuer to acquire or dispose of the same or exercise its rights or discharge its obligations under the Transaction Documents;
- (jj) No Loan, Related Security or any Ancillary Rights in respect of a Loan is "stock" or a "marketable security" within the meaning of section 125 of the Finance Act 2003 or a "chargeable security" (as such is defined for the purposes of section 99 of the Finance Act 1986) or a "chargeable interest" (as such term is defined for the purposes of section 48 of the Finance Act 2003); and
- (kk) The Related Security consists wholly and exclusively of rights held by way of security and does not comprise any beneficial entitlement to any assets other than assets the rights to which are held by way of security.



Neither the Security Trustee, the Arranger nor the Lead Manager have undertaken any additional due diligence in respect of the application of the Lending Criteria and have relied entirely upon the representations and warranties referred to above which will be made by the Seller to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

### ***Repurchase by the Seller***

The Seller will agree to be liable for the repurchase of any Loan and its Related Security sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Loan and/or its Related Security proves to be materially untrue as at the Closing Date or, and that default has not been remedied in accordance with the Mortgage Sale Agreement and within the applicable grace period. Any Loans and their Related Security will be required to be repurchased following receipt by the Seller of a loan repurchase notice substantially in the form set out in and delivered in accordance with the Mortgage Sale Agreement (a "**Loan Repurchase Notice**") requiring the Seller to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

The Seller may in lieu of the repurchase, at the option of the Seller, transfer to the Issuer on or prior to the date on which the relevant Loan or Loans would have otherwise been repurchased under the Mortgage Sale Agreement an amount equal to the aggregate Current Balance of the relevant Loan or Loans as at the date on which such repurchase would otherwise have occurred, without taking ownership of the relevant Loan or Loans. Following the Seller making a payment in lieu of repurchase of a Loan or Loans, any amounts received by the Issuer in respect of such Loan or Loans will be for the benefit of the Seller and will not form part of Available Revenue Receipts or Available Redemption Receipts. At any time following the Seller making a payment in lieu of repurchase, the Seller may, by serving a Loan Repurchase Notice on the Issuer, direct that the beneficial ownership in such Loan or Loans be transferred by the Issuer to the Seller (or to the Seller's direction) on the date specified in the Loan Repurchase Notice.

The Seller shall have no other liability for breach of a Loan Warranty other than the obligation to repurchase such Loan or Loans in breach of Loan Warranty or make a payment in lieu of such repurchase in accordance with the terms of the Mortgage Sale Agreement, and shall have no obligation to repurchase any Loans in breach of any Loan Warranty or make any payment in lieu of such repurchase unless the Issuer has given the Seller notice of the event giving rise to the obligation to repurchase before the Optional Redemption Date.

### ***Repurchase due to unfair terms for recovery of interest or breach of obligations by the Seller or the Legal Title Holder***

The Seller and the Issuer will agree pursuant to the Mortgage Sale Agreement that if and to the extent that any determination shall be made by any court or other competent authority or any ombudsman or regulator that:

- (a) any term which relates to the recovery of interest under the Standard Documentation applicable to a Loan and its Related Security is unfair;
- (b) the Standard Variable Rate or any other discretionary interest rate or margin payable under any Loan (subject to any applicable caps, discounts and fixed rates) may not be set by the Legal Title Holder, any successors or assigns of the Legal Title Holder, any person holding legal title as bare trustee for the Issuer or those deriving title from the Issuer or such holder of legal title; or
- (c) there has been any material breach of or non-observance or non-compliance with any obligation, undertaking, covenant or condition on the part of the Seller, any applicable Originator or the Bridge Issuer relating to the interest payable by or applicable to a Borrower under any Loan,

and such determination results in the relevant Loan (or any terms thereof relating to the obligations of the relevant Borrower to make payment of principal or interest in respect of the relevant Loan or the security

granted in respect of the relevant Loan) being unenforceable, non-binding upon the relevant Borrower or has a material adverse effect on the enforceability of such Loan or its Related Security, then, as soon as reasonably practicable after the receipt by the Issuer of a notification that such a determination has been made under paragraphs (a), (b) or (c) above, the Issuer will serve upon the Seller a Loan Repurchase Notice requiring the Seller to repurchase the relevant Loan and its Related Security and, following receipt of such Loan Repurchase Notice, the Seller shall be required to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

#### *Repurchase price*

Other than in respect of a repurchase by the Seller of the Portfolio to effect a redemption of the Notes on an Interest Payment Date on or following the Optional Redemption Date or on any Interest Payment Date on which the Current Balance of the Portfolio as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date, the consideration payable by the Seller in respect of the repurchase of an affected Loan and its Related Security shall be equal to the Current Balance of such Loan (disregarding for the purposes of any such calculation, (a) any porting in relation to such Loan and (b) to the extent that the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Legal Title Holder, the amount of any such reduction in the Current Balance) as at the relevant date of any such repurchase, plus the Issuer's costs and expenses (if any) associated with the transfer of such Loan and its Related Security to the Seller.

As noted above, the Seller may in lieu of the repurchase, at the option of the Seller, transfer to the Issuer on or prior to the date on which the relevant Loan or Loans would have otherwise been repurchased under the Mortgage Sale Agreement an amount equal to the aggregate Current Balance of the relevant Loan or Loans as at the date on which such repurchase would otherwise have occurred, without taking ownership of the relevant Loan or Loans.

As used in this Prospectus:

"**Ancillary Rights**" means, in relation to any right, all ancillary rights, accretions and supplements to such right, including any guarantees or indemnities in respect of such right.

"**Calculation Date**" means the day falling four Business Days prior to each Interest Payment Date.

"**Certificate of Title**" means, in respect of a Property, a solicitor's, licensed or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the relevant Originator in respect of such Property substantially in the form of the pro forma set out in the Standard Documentation and all documents and enclosures accompanying the certificate of title as required by the solicitor's instructions.

"**Collection Period**" means each calendar month commencing from (but excluding) each Cut-Off Date and ending on (and including) the immediately succeeding Cut-Off Date, except that the initial period will commence on (and include) 26 January 2015 and end on (and include) the Cut-Off Date falling in April 2015.

"**Cut-Off Date**" means the last calendar day of each calendar month.

"**Enforced Loan**" means a Loan in respect of which the Related Security has been enforced and the related Property has been sold.

"**English Mortgage**" means a first ranking legal charge secured over a Property located in England or Wales.

"**Insolvency Proceedings**" means in respect of any person:

- (a) it is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (b) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities) or
- (c) a moratorium is declared in respect of any of its indebtedness;

"**Insurance Policies**" means with respect to the Mortgages, the Individual Building Policies and the Title and Local Search Indemnity Policies and any other insurance contracts in replacement, addition or substitution thereof from time to time which relate to the Loans and **Insurance Policy** means any one of them.

"**Loan Agreement**" means, in relation to a Loan, the loan agreement entered into between the relevant Borrower and the relevant Originator.

"**Local Search Indemnity Policy**" means the local search indemnity policy with Legal and Insurance Services Limited (company registration number 2455684) with policy number 0580CQ10559 (as amended, supplemented and/or replaced from time to time prior to the date hereof) to the extent that it relates to the Portfolio.

"**MHA/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 the Property secured thereby.

"**Monthly Instalment**" means the amount which the relevant Mortgage Conditions require a Borrower to pay on each monthly payment date in respect of that Borrower's Loan.

"**Mortgage**" means:

- (a) each English Mortgage, in respect of any English Loan; and
- (b) each Scottish Mortgage, in respect of any Scottish Loan;
- (c) each Northern Irish Mortgage, in respect of any Northern Irish Loan,

which is, or is to be, sold, assigned or transferred by the Seller to the Issuer pursuant to:

- (i) the Mortgage Sale Agreement, in respect of any English Loan;
- (ii) a Scottish Declaration of Trust, in respect of any Scottish Loan; or
- (iii) the Mortgage Sale Agreement, in respect of any Northern Irish Loan,

which secures the repayment of the relevant Loan pursuant to the Mortgage Conditions applicable to it.

"**Mortgage Conditions**" means in relation to each Loan and the Mortgage relating thereto, the terms and conditions subject to which the Loan and Mortgage are made including, for the avoidance of doubt, the terms and conditions incorporated into any letter or letters of offer or agreement to make such Loan.

"**Mortgage Deed**" means, in respect of any Mortgage, the deed in written form creating that Mortgage.

"**Mortgage Document**" means any agreement (including a Mortgage, Mortgage Deed and/or Loan Agreement) in relation to a Loan between the relevant lender and a Borrower.

**"Northern Irish Mortgage"** means a first ranking legal charge or mortgage secured over a Property in Northern Ireland.

**"Property"** means (in England, Wales or Northern Ireland) a freehold, leasehold or commonhold property or (in Scotland) a heritable property or property held under a long lease, which is, in each case, subject to a Mortgage.

**"Reasonable, Prudent Residential Mortgage Lender"** means a reasonably prudent residential mortgage lender lending to borrowers in England, Wales, Northern Ireland or Scotland of the type contemplated in the Lending Criteria from time to time on terms similar to those set out in the relevant Lending Criteria;

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

**"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 rights, remedies or benefits related thereto including (but not limited to):

- (a) the benefit of all affidavits, consents, renunciations, guarantees, indemnities, waivers, assignments, assignations, priority letters, pension policies and postponements (including any deed of consent deed of postponement, ranking arrangements, MHA/CP Documentation, and any rights against any person or persons in connection with the origination and completion of a Loan) from occupiers and other persons having an interest in or rights in connection with the relevant Property;
- (b) each right of action of the relevant Originator against any person (including any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the relevant Originator to make or offer to make all or part of the relevant Loan;
- (c) the benefit of (including the rights as the insured person under and as notations of interest on, and returns of premium and proceeds of claims under) insurance and assurance policies and life policies and life policy assignments (taken out by or on behalf of the relevant Borrower) deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property and relevant Loan Files; and
- (d) any other deed or document providing ancillary security or indemnity for repayment of any sums due from time to time under the relevant Loan.

**"Scottish Mortgage"** means a first ranking standard security over a Property located in Scotland.

**"Standard Documentation"** means the standard documentation of the relevant Originator, a list or CD of which is set out in or appended to Exhibit 2 to the Alba Mortgage Sale Agreement, or any update or replacement therefor as permitted by the terms of the Alba Mortgage Sale Agreement.

**"Title and Local Search Indemnity Policies"** means, in relation to any Loan, the Title Insurance Policies and the Local Search Indemnity Policy or any of them.

**"Title Insurance Policies"** means the title insurance policies numbered AXA 11/01 and AXA 11/04 in respect of certain Loans with London & European Title Insurance (as amended, supplemented and/or replaced from time to time prior to the date hereof) to the extent that they relate to the Portfolio.

## *Governing Law*

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by English law (other than those terms of the Mortgage Sale Agreement specific to the law of Scotland relating to the Scottish Loans and their Related Security, which are governed by Scots law and those terms of the Mortgage Sale Agreement specific to the law of Northern Ireland relating to the Northern Irish Loans and their Related Security, which are governed by Northern Irish law).

## **Servicing Agreement**

### *Introduction*

The Issuer, the Security Trustee, the Legal Title Holder and the Servicer (amongst others) entered into, on or around the Closing Date, an agreement pursuant to which the Servicer agrees to service the Loans and their Related Security and to hold legal title to the Loans and their Related Security in its capacity as Legal Title Holder (the "**Servicing Agreement**"). The services to be provided by the Servicer are set out in the Servicing Agreement, and may include any services incidental thereto as may be agreed to in writing by the Issuer, the Legal Title Holder, the Security Trustee and the Servicer (the "**Services**").

On or about the Closing Date, the Servicer will be appointed by the Issuer and, as applicable, the Legal Title Holder (including in its capacity as a trustee of the trust declared and created by the Scottish Declaration of Trust (the "**Scottish Trust**")) to be its agent to service the Loans and their Related Security. The Servicer must comply with any proper directions and instructions that the Issuer or, following the Security Trustee notifying the Servicer that an Enforcement Notice has been served, 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 the terms of the Servicing Agreement (including the procedures of the Servicer set out therein) are binding on the Issuer.

### *Appointment*

The Servicer will be appointed:

- (a) to, in accordance with the service specification, administer and manage the Loans in accordance with the applicable provisions of the FSMA and provide the services set out in the Servicing Agreement in relation to the Loans and their Related Security sold by the Seller to the Issuer;
- (b) to act as lender of record on behalf of the Issuer and to exercise the Issuer's and the Legal Title Holder's rights, powers and discretions under and in relation to the Loans and their Related Security; and
- (c) to perform the other management and administration services imposed on the Servicer by the Servicing Agreement.

### *Undertakings by the Servicer*

The Servicer has undertaken, among other things, to:

- (a) ensure all Loans and other Related Security are designated in the computer and other records of the Servicer as being legally and beneficially owned by the Issuer (with legal title being held on trust by the Servicer);
- (b) devote such amount of time and attention to, and exercise such level of skill, care and diligence to the performance of, the Services as would a Reasonable, Prudent Residential Mortgage Servicer;

- (c) comply with any proper directions, orders and instructions which the Issuer or the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement;
- (d) maintain in working order the information technology systems used by the Servicer in providing the Services;
- (e) keep in force all licences, approvals, authorisations, consents, permissions and registrations required by the Servicer in connection with the performance of the Services (including under the FSMA);
- (f) not fail to comply with any legal or regulatory requirements relating to the performance of the Services including, without limitation any rules of the FCA;
- (g) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payments thereof in Sterling 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;
- (h) without prejudice to the right of the Servicer to terminate the Servicing Agreement in accordance with its terms, not without the prior written consent of the Security Trustee amend or terminate any of the Transaction Documents to which it is a party; and
- (i) provide the Issuer and the Security Trustee on written request with a copy of any final judgment received by the Servicer from any court or other competent authority or any ombudsman or regulator in relation to any Loan and its Related Security to the extent it is the subject of any litigation other than within the ordinary course of mortgage administration and enforcement.

#### *Setting of Interest Rates on the Loans*

Each of the Issuer and the Legal Title Holder grants the Servicer full right, liberty and authority from time to time, in accordance with the relevant Mortgage Conditions, to determine and set in relation to the SVR Loans sold by the Seller to the Issuer which have not at the relevant date of determination been repurchased by the Seller, the Standard Variable Rates and any other discretionary rates or margins applicable in relation to the Loans.

#### *Further Advances and Porting*

The Servicer, as Legal Title Holder, will undertake that if the Servicer receives an application from a Borrower requesting a Further Advance or a Port, it shall consider the application in accordance with the relevant Mortgage Conditions but shall not agree to grant a Further Advance or a Port on behalf of the Issuer without the Issuer's prior written consent.

#### *Operation of Collection Account*

The Servicer will undertake to operate the Collection Account, opened in the name of the Legal Title Holder with the Collection Account Bank, in accordance with the terms of the Collection Account Declaration of Trust and the Collection Account Agreement (as to which, see "*The Collection Account Declaration of Trust*" and "*The Collection Account Agreement*" below).

#### *Replacement of Collection Account Bank*

If the Collection Account Bank fails to maintain ratings at least equal to the Collection Account Bank Ratings, the Servicer shall on behalf of, and at the sole cost and expense of, the Issuer, in accordance with the Collection Account Declaration of Trust, instruct Pepper (UK) Limited (acting in its capacity as the Collection Account Trustee pursuant to the Collection Account Agreement) to:

- (a) terminate the appointment of the Collection Account Bank in accordance with the Collection Account Agreement and use commercially reasonable efforts to procure that the funds standing to the credit of the Collection Account are promptly transferred from the Collection Account and placed on deposit on terms the same or substantially the same (*mutatis mutandis*) as the Collection Account Agreement with an institution:
  - (i) that maintains ratings at least equal to the Collection Account Bank Ratings;
  - (ii) that is a bank for the purposes of section 991 of the Income Tax Act 2007 and payments of interest are made in the ordinary course of its business within the meaning of section 878 of the Income Tax Act 2007; and
  - (iii) that is an institution authorised to carry on banking business including accepting deposits under the FSMA; or
- (b) obtain a guarantee of the Collection Account Bank's obligations under each Collection Account Agreement from a bank with ratings at least equal to the Collection Account Bank Ratings,

in each case, within 30 days of the date on which the Collection Account Bank ceases to have the Collection Account Bank Ratings.

*Termination of the appointment of the Servicer*

The Issuer or (following the service of an Enforcement 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 or the Issuer (as applicable)), terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a "**Servicer Termination Event**") occurs and is continuing:

- (a) default is made by the Servicer in the payments on the due date of any payments due and payable by it under the Servicing Agreement and such default continues unremedied for a period of five 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, following the delivery of an Enforcement Notice, the Security Trustee requiring the default to be remedied;
- (b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, and in the reasonable opinion of the Issuer (prior to the delivery of an Enforcement Notice) or the reasonable opinion of the Security Trustee (after the delivery of an Enforcement Notice) such default is materially prejudicial to the interests of the Noteholders (which determinations shall be conclusive and binding on all other Secured Creditors) and such default continues unremedied for a period of 20 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, following the delivery of an Enforcement Notice, the Security Trustee requiring the default to be remedied;
- (c) the Servicer ceasing to be an authorised person under the FSMA or the revocation of an applicable licence, registration or regulatory permission held by it required to perform the Services, other than as a result of or arising out of a Change in Applicable Law; or
- (d) the occurrence of an Insolvency Event in respect of the Servicer or the Servicer becomes subject to Insolvency Proceedings.

The termination of the appointment of the Servicer shall take effect on the later of:

- (a) the date specified in the relevant termination notice;

- (b) the date on which legal title to the Loans and Related Security have been transferred to the relevant legal title transferee in accordance with the Servicing Agreement following delivery of the relevant termination notice; and
- (c) the date on which the Issuer has appointed a successor servicer in accordance with the Servicing Agreement.

The Servicing Agreement may also be terminated by any of the parties to the Servicing Agreement after the occurrence of a Change in Applicable Law upon giving 120 days' written notice to the other parties to the Servicing Agreement or such shorter notice period that is reasonably practicable under the circumstances, provided that the parties may terminate the Servicing Agreement upon the occurrence of a Change in Applicable Law only if, having used commercially reasonable endeavours, they are unable to reach an agreement in relation to appropriate terms in light of the Change in Applicable Law, or mitigate or avoid the effects or application of the Change in Applicable Law, to the satisfaction of all the parties to the Servicing Agreement, and that failure to reach an agreement as to appropriate terms or failure to mitigate the effects of the Change in Applicable Law to the satisfaction of all the parties to the Servicing Agreement shall not constitute a default or breach by any party to the Servicing Agreement in the performance or observance of any of its covenants and obligations under the Servicing Agreement

**"Change in Applicable Law"** means a change of any law or regulation applicable to any of the parties to the Servicing Agreement or any other event outside the reasonable control of the parties occurring after the Closing Date which (i) renders the performance of the Services or the performance of any of the obligations of any of the other parties under the Servicing Agreement, unlawful or illegal or (ii) as to a termination by the Servicer, results in the loss of all or any requisite licenses or authorisations to be maintained by the Servicer or (iii) as to a termination by the Servicer, imposes additional licensing or regulatory requirements on the Servicer, which requirements the Servicer will not, on or before the date on which the Servicer is required to have such licenses or requirements in place, comply with in connection with the Loans or any other Loans which it services or otherwise administers for third party clients on substantially similar terms to the terms of the Servicing Agreement.

#### *Voluntary Resignation*

The Servicer may voluntarily resign by giving not less than twelve 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, *inter alia*: (i) a substitute servicer shall be appointed, such appointment to be effective not later than the date of such termination; (ii) such substitute has experience of administering and managing Loans secured on residential properties in England and Wales, Scotland and Northern Ireland; (iii) such substitute servicer enters into a servicing agreement with the Issuer and the Security Trustee on terms substantially the same as the Servicing Agreement, and at fees which are consistent with those payable generally at the relevant time for the provision of Loan administration and management services; and (iv) (if Rated Notes remain outstanding) the then current ratings of the Rated Notes are not adversely affected as a result thereof.

The Servicer may also voluntarily resign by giving notice in writing to the Issuer (with a copy to the Security Trustee) if any of the following events (each a "**Servicer Resignation Event**") occurs and is continuing:

- (a) the Issuer fails to pay the fees or any other amounts due and payable by it to the Servicer under the Servicing Agreement and that failure remains unremedied for a period of 90 days from the date such payment is due;
- (b) the Issuer fails in the performance or observance of any of its other covenants and obligations under the Servicing Agreement and in the reasonable opinion of the Servicer that failure causes a material adverse effect on any of:



- (i) the performance of the Services;
- (ii) the ability of the Servicer to fulfil its general corporate obligations or its regulatory or statutory obligations; or
- (iii) the Servicer's reputation, or its economic or financial interests,

and it remains unremedied for a period of 20 Business Days after the earlier of the Issuer becoming aware of such default and receipt by the Issuer of written notice from the Servicer requiring the default to be remedied, provided that where an obligation or covenant is required to be performed by a third party on behalf of the Issuer, default by such third party in the performance of such obligations shall not constitute a Servicer Resignation Event;

- (c) an Insolvency Event is continuing in respect of the Issuer.

The termination will be effective from the later of: (i) the date specified in the termination notice; and (ii) the earlier of (x) the expiry of 120 days from the date the notice of termination has been given to the Issuer and the Security Trustee by the Servicer and (y) the appointment by the Issuer of the substitute servicer.

*Scheduled termination of the appointment of the Servicer*

The Servicing Agreement will terminate at such time as the Issuer has no further interest in any Loans or their Related Security and all indebtedness of the Issuer has been repaid in full.

*Delivery of documents and records*

If the appointment of the Servicer is terminated or the Servicer resigns and provided that the Servicer has transferred legal title to the Loans and Related Security in accordance with the Servicing Agreement, the Servicer must deliver to the Issuer (or as the Issuer shall direct), *inter alia*, the Title Deeds and Loan Files relating to the Loans and their Related Security in its possession.

*Enforcement Procedures*

The Servicer will, in relation to any default by any Borrower under or in connection with a Loan or its Related Security, comply with the Enforcement Procedures contained in the service specification or, to the extent that the Enforcement Procedures are not applicable having regard to the nature of the default in question, comply with the usual procedures undertaken by a Reasonable, Prudent Residential Mortgage Servicer in connection with defaults of a similar nature provided that:

- (a) the Servicer shall only become obliged to comply with the Enforcement Procedures (to the extent applicable) or to take action as aforesaid after it has become aware of the default;
- (b) it is acknowledged by the Issuer that mortgage lenders generally exercise discretion in pursuing their respective enforcement procedures and that the Servicer may exercise such discretion as would a Reasonable, Prudent Residential Mortgage Servicer in applying the Enforcement Procedures to any particular defaulting Borrower or in taking action as aforesaid; and
- (c) in any case where the Title and Local Search Indemnity Policies require exact compliance with certain enforcement procedures, the Servicer shall procure the prior written consent of the relevant company for any deviation by the Servicer from such enforcement procedures.

The Servicer shall procure that if, upon completion of the Enforcement Procedures, an amount in excess of all sums due from the relevant Borrower under the relevant Loan and its Related Security is recovered or received, the balance, after discharge of all sums due from that Borrower under the relevant Loan and its

Related Security, is paid to the relevant Borrower or the person or persons entitled thereto or, if such person cannot be found, is paid into court.

#### *Issuer's Liability*

The Issuer shall at all times indemnify and hold the Servicer harmless against any liability (including any indirect loss but excluding any liability to tax) incurred by the Servicer arising out of, *inter alia*, holding legal title to and/or being the lender of record in respect of the Loans and their Related Security, any act or omission of any originator or prior servicer providing mortgage administration or similar services to a Loan and/or its Related Security other than any liability arising as a result of the Gross Negligence, fraud or wilful default of the Servicer or breach by the Servicer in performing of its material obligations under the Servicing Agreement.

The Issuer shall also at all times indemnify and hold the Legal Title Holder harmless against any liability of the Legal Title Holder to pay an amount of United Kingdom tax where such tax arises as a result of, or which is attributable to, revenues from the Portfolio which for United Kingdom tax purposes are treated as arising to the Legal Title Holder as a result of it holding legal title to the Loans and Related Security; and/or any material VAT impact to the partial exemption ratio of the Legal Title Holder or the VAT group of which it is a member as a result of the VAT exempt status of fees incurred or interest income in relation to the Portfolio which are deemed to be fees incurred by or income of (as applicable) the Legal Title Holder as a result of it holding legal title to the Loans and Related Security, in each case, other than any United Kingdom tax or VAT which arises as a result of the Gross Negligence, fraud or wilful default or misconduct of the Legal Title Holder or breach by the Legal Title Holder in performing its obligations under the Servicing Agreement.

"**Gross Negligence**" means any act or omission of a party (the "**Defaulting Party**") which falls below the level of care and skill that could reasonably be expected of a prudent party, in circumstances where that act, conduct or omission (as applicable) also shows a deliberate and/or manifestly careless or reckless disregard of potential consequences of such act or omission on the interests of the non-Defaulting Party and could reasonably be expected to cause significant prejudice to the interests of the non-Defaulting Party.

#### *Limit to Servicer's Liability*

Except in respect of:

- (a) the Servicer's fraud, Gross Negligence or wilful default in the performance of its obligations under the Servicing Agreement; or
- (b) any sum which the Servicer holds or should hold on trust for the Issuer and for which the Servicer fails to account to the Issuer,

the aggregate liability of the Servicer arising out of or in connection with the Transaction Documents, whether arising in contract, tort (including negligence) or otherwise shall be limited to £6,000,000 in aggregate and £1,500,000 on an annual basis.

In no event shall the Servicer be liable for any indirect or consequential loss or damage (including any loss of revenue, profits, goodwill or business), whether in contract, tort (including negligence) or otherwise.

#### *Governing Law*

The Servicing Agreement and any non-contractual obligations arising out of or in connection with 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 and the Certificateholders):

- (a) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under the Transaction Documents (other than the Trust Deed, the Deed of Charge, any Scottish Supplemental Charge and any Scottish Declaration of Trust) and any sums derived therefrom;
- (b) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's interest in the English Loans, Northern Irish Loans and their Related Security and other related rights comprised in the Portfolio (other than in respect of Scottish Loans) and any sums derived therefrom;
- (c) an assignment by way of security of (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under Insurance Policies assigned 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 Holder over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to any Scottish Declaration of Trust) (the "**Scottish Supplemental Charge**");
- (e) a charge by way of first fixed charge over the Issuer's interest in its bank accounts (including the Issuer Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;
- (f) an assignment by way of first fixed security (and, to the extent not effectively assigned to the Security Trustee, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit under the Collection Account Trust (created pursuant to the Collection Account Declaration of Trust); and
- (g) a floating charge over all assets of the Issuer not otherwise subject to the charges referred to above or otherwise effectively assigned by way of security (other than item (d) above), including over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not such assets are the subject of the charges or Security referred to above).

"**Secured Creditors**" means the Security Trustee, any Receiver appointed by the Security Trustee pursuant to the Deed of Charge, the Note Trustee, the Noteholders, the Certificateholders, the Seller, the Legal Title Holder, the Servicer, the Cash Manager, the Issuer Account Bank, the Corporate Services Provider, the Paying Agents, the Registrar, the Agent Bank, the Collection Account Bank and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

"**Transaction Documents**" means the Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Collection Account Declaration of Trust, the Collection Account Declaration of Trust Accession Undertaking, the Collection Account Agreement, the Collection Account Agreement Accession Undertaking, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, any Scottish Supplemental Charge, a share trust deed dated 13 March 2015 (the "**Share Trust Deed**"), the power

of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge (the "**Issuer Power of Attorney**"), the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, a risk retention letter between, amongst others, the Retention Holder, the Seller and the Security Trustee dated 21 April 2015 (the "**Risk Retention Letter**"), any Scottish Declaration of Trust, the power of attorney granted by the Legal Title Holder in favour of the Issuer and the Security Trustee on the Closing Date (the "**Legal Title Holder Power of Attorney**"), the power of attorney granted by the Issuer in favour of the Servicer on the Closing Date (the "**Servicer Power of Attorney**"), the Trust Deed 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 and/or the Residual Certificates.

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, service of an Enforcement Notice, except in relation to the Issuer's Scottish assets, where crystallisation will occur on the appointment of an 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-Enforcement Revenue Priority of Payments and Pre-Enforcement Redemption Priority of Payments*

Prior to the Note Trustee serving an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes or Residual Certificates Condition 11 (*Events of Default*), declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Issuer Account as described in "*Cashflows – Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer*", "*Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer*" below and "*Application of Monies released from the Reserve Fund*". On the Majority Certificateholder Portfolio Purchase Option Date and the Risk Retention Regulatory Change Option Date, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Issuer Account in accordance with the Pre-Enforcement Revenue Priority of Payments defined in "*Cashflows – Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer*" below.

#### *Post-Enforcement Priority of Payments*

After the Note Trustee has served an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes or Residual Certificates Condition 11 (*Events of Default*), declaring the Notes to be immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by it shall apply the monies standing to the credit of the Issuer Account in accordance with the Post-Enforcement Priority of Payments defined in "*Cashflows – Distributions following the service of an Enforcement Notice on the Issuer*" below.

The Security will become enforceable after an Enforcement Notice has been served on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes or Residual Certificates Condition 11 (*Events of Default*) provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security 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 Noteholders (and all persons ranking in priority to the Noteholders as set out in the Post-Enforcement Priority of Payments) or (b) the Security Trustee is of the opinion that the cash flow 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: (i) to the Noteholders (and all persons ranking in priority to the Noteholders in the order of priority set out in the Post-

Enforcement Priority of Payments); and (ii) once all the Noteholders (and all such prior ranking persons) have been repaid, to the remaining Secured Creditors (other than the Certificateholders) in the order of priority set out in the Post-Enforcement Priority of Payments; and (iii) once all the Noteholders and all the Secured Creditors (other than the Certificateholders) have been repaid, to the Certificateholders, which opinion shall be binding on the Secured Creditors and reached after considering at any time 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 in accordance with the applicable Priority of Payments. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to above without further enquiry and shall incur no liability to any person for so doing.

### *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, aspects relating to Northern Irish Loans and their Related Security will be governed by Northern Irish Law and aspects relating to Scottish Loans and their Related Security (including any Scottish Supplemental Charge entered into pursuant thereto) will be governed by Scots 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 and the Residual Certificates are subject to the provisions in the Trust Deed. The Conditions and the Residual Certificates Conditions and the forms of each Class of Notes and the Residual Certificates are each 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 (exclusive of VAT) 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 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 occasioned by such retirement. The holders of the Most Senior Class of Notes (or, if no Notes remain outstanding, the 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 of the Note Trustee shall not become effective unless there remains a trust corporation entitled by rules made under the Public Trustee Act 1906 to carry out the functions of a custodian trustee (a "**Trust Corporation**") in office after such retirement or removal 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 or the applicable Extraordinary Resolution of the holders of the Most Senior Class of Notes, the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed but no such appointment shall take effect unless previously approved by Extraordinary Resolution of the holders of the Most Senior Class of Notes.

### *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**

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee and the Security Trustee, the Principal Paying Agent, the Registrar and the Agent Bank, provision is made for, *inter alia*, the 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 Legal Title Holder, the Servicer and the Security Trustee will enter into a cash management agreement (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 or, upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer, the Security Trustee. The Cash Manager's principal function will be effecting payments to and from the Issuer Account. In addition, the Cash Manager will, among other things:

- (a) on each Interest Payment Date prior to the delivery of an Enforcement Notice, apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments and (subject to the satisfaction of the Reserve Fund Conditions) any Reserve Fund Drawings to be applied in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments;
- (b) on each Calculation Date, determine if there would be a Revenue Deficit following the application of Available Revenue Receipts (disregarding for such purposes any Principal Addition Amounts) on the immediately following Interest Payment Date;
- (c) on each Calculation Date, determine if the Reserve Fund Conditions and the Principal Addition Amount Conditions are satisfied;
- (d) on each Calculation Date, determine whether the immediately following Interest Payment Date is the Final Redemption Date;
- (e) record credits to, and debits from, the Ledgers, as and when required;
- (f) if required (i) during the Determination Period, calculate the Interest Determination Ratio, the Calculated Revenue Receipts and the Calculated Redemption 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 6.9(c) (*Determinations and Reconciliation*), Residual Certificates Condition 6.7 (*Termination of Payments*) and the Cash Management Agreement; and

- (g) on each Interest Payment Date, transfer any amounts received in respect of a Loan following the Seller making a payment in lieu of the obligation to repurchase such Loan under the Mortgage Sale Agreement to an account specified by the Seller.

In addition, the Cash Manager will also:

- (a) maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:
  - (i) the "**Redemption Ledger**", which will record all Redemption Receipts received by the Issuer and the distribution of the Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);
  - (ii) the "**Revenue Ledger**", which will record all Revenue Receipts, amounts credited to the Issuer Account in accordance with item (y) of the Pre-Enforcement Revenue Priority of Payments and amounts credited to the Issuer Account on the Closing Date from the proceeds of the Subordinated Noteholders' subscription of the Subordinated Notes received by the Issuer and the distribution of the Revenue Receipts and the distribution of any other relevant amounts recorded on the Revenue Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) or by way of Third Party Amounts;
  - (iii) the "**Reserve Fund Ledger**", which will record amounts credited to, and debited from, the Reserve Fund. The Reserve Fund will be funded from the proceeds of the Subordinated Notes on the Closing Date and on each Interest Payment Date up to and including the Final Redemption Date from amounts to be applied to the Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments. On each Interest Payment Date (prior to service of an Enforcement Notice), the Cash Manager will debit from the Reserve Fund Ledger an amount (if any) equal to the amount standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount on such Interest Payment Date (such amount to be applied as Available Revenue Receipts) and credit to the Reserve Fund Ledger the amount of Available Revenue Receipts applied on such Interest Payment Date to replenish the Reserve Fund up to the Reserve Fund Required Amount pursuant to item (o) of the Pre-Enforcement Revenue Priority of Payments. Following the application of Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments the Cash Manager will also debit from the Reserve Fund Ledger (subject to the satisfaction of the Reserve Fund Conditions) an amount equal to Reserve Fund Drawings (if any) from the Reserve Fund Ledger to be applied in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order in which they appear in the Pre-Enforcement Revenue Priority of Payments.

On the Final Redemption Date, all amounts standing to the credit of the Reserve Fund Ledger (after first, amounts have been credited to the Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments on the Final Redemption Date and second, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve Fund Conditions)) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (see "*Credit Structure – Reserve Fund and Reserve Fund Ledger*" below);

- (iv) the "**Principal Deficiency Ledger**", which will record on the appropriate sub-ledger as a debit deficiencies arising from Losses on the Portfolio (on the date the Cash Manager is informed of such Losses by the Servicer), Principal Addition Amounts (on the Calculation Date on which such Principal Addition Amounts are determined by the Cash Manager) and record as a credit Available Revenue Receipts applied as Available Redemption Receipts (including any amounts in respect of Enhanced Amortisation Amounts) pursuant to the Pre-Enforcement Revenue Priority of Payments (if any) on each Interest Payment Date (see "*Credit Structure – Principal Deficiency Ledger*" below); and
  - (v) the "**Issuer Profit Ledger**", which shall record as a credit any amounts retained by the Issuer as profit in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) and as a debit any amount used to discharge any tax liability of the Issuer;
- (b) calculate on each Calculation Date (prior to service of an Enforcement Notice) the amount of Available Revenue Receipts (including (subject to the satisfaction of the relevant Principal Addition Amount Condition) any Principal Addition Amounts), and Available Redemption Receipts to be applied on the immediately following Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Redemption Priority of Payments (as applicable); and
  - (c) calculate on each Calculation Date (prior to the service of an Enforcement Notice) the amount of any Reserve Fund Drawings to be applied on the immediately following Interest Payment Date (such amount to be debited from the Reserve Fund Ledger after to the application of Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date);
  - (d) provide the Issuer, the Seller, the Servicer, the Security Trustee, the Rating Agencies and Bloomberg with the Investor Report by 5.00 p.m. on the Calculation Date, provided that the Servicer shall have delivered the Servicer Report in respect of the immediately preceding Collection Period by no later than 10.00 a.m. on the second Business Day immediately preceding that Calculation Date, such obligation to provide the Investor Report deemed to be discharged if the Cash Manager publishes the Investor Report on <https://sf.citidirect.com> by 5.00 p.m. on each Calculation Date.

*Cash Manager and Directions from the Security Trustee*

The Cash Manager will act upon the direction of the Security Trustee (given in accordance with the terms and provisions of the Deed of Charge) upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer.

*Remuneration of Cash Manager*

The Cash Manager will be paid a cash management fee for its cash management services under the Cash Management Agreement. Such fees will be determined under a separate fee letter between the Issuer and the Cash Manager. Any sum (or other consideration) payable (or provided) by the Issuer to the Cash Manager in respect of that fee shall be deemed to be exclusive of VAT, if any, chargeable on any supply for which the cash management fee is the consideration (in whole or in part) for VAT purposes. The cash management fee is payable monthly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments or, as the case may be, the Post-Enforcement Priority of Payments.



### *Termination of Appointment and Replacement of Cash Manager*

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

- (a) default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of three 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 the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied;
- (b) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement or any of the Cash Manager warranties in the Cash Management Agreement proves to be untrue, incomplete, or inaccurate, or any certification or statement made by the Cash Manager in any certificate or other document delivered pursuant to the Cash Management Agreement proves to be untrue, in each case, which in the opinion of the Note Trustee as notified to the Security Trustee is materially prejudicial to the interests of the Noteholders, and such default continues unremedied for a period of 30 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 the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied;
- (c) an Insolvency Event occurs in respect of the Cash Manager;
- (d) it becomes unlawful for the Cash Manager to perform its obligations under the Cash Management Agreement or under any other Transaction Document; or
- (e) the Cash Manager is prevented from complying with its obligations under the Cash Management Agreement for 15 calendar days as a result of electricity power cuts, failure of international or domestic clearing or payment systems (where such failure arose out of the circumstances beyond its control and other than where such failure is specific to the Cash Manager), strikes, lock outs, sit ins, industrial disturbances (other than strikes, lock outs, sit ins and industrial disturbances which are specific to the Cash Manager lasting more than five days), earthquakes, storms, fire, flood, acts of God, insurrections, riots, epidemics, war, civil disturbances, governmental directions or regulations, or any other circumstances beyond the control of the Cash Manager,

then prior to the delivery of an Enforcement Notice, the Issuer (with the written consent of the Security Trustee), or following the delivery of an Enforcement Notice, the Security Trustee, may, at once or at any time thereafter while such default continues, by notice in writing to the Cash Manager (with a copy to the Security Trustee if such notice is delivered by the Issuer and with a copy to the Issuer if such notice is delivered by the Security Trustee), terminate its appointment as Cash Manager under the Cash Management Agreement with effect from a date (not earlier than the date of the notice) specified in such notice. In determining whether to give or withhold consent to the termination of the Cash Manager by the Issuer, the Security Trustee will have regard to factors including, *inter alia*, the availability of a substitute cash manager. Upon termination of the appointment of the Cash Manager, the Issuer shall use reasonable endeavours to appoint a substitute cash manager that satisfies the conditions set out below.

Any substitute cash manager:

- (a) must have the requisite cash management experience to perform the functions to be given to it under the Cash Management Agreement and is approved by the Issuer and the Security Trustee;
- (b) must agree to enter into a cash management agreement with the Issuer substantially on the terms of the Cash Management Agreement, and at fees which are consistent with those payable generally at

the relevant time for the provision of cash management services for transactions similar to this transaction;

- (c) must be resident for tax purposes solely in the United Kingdom; and
- (d) (if the Rated Notes remain outstanding) must be a party that the Rating Agencies have previously confirmed by whatever means such Rating Agencies consider appropriate (provided that the Issuer is permitted to and does confirm in writing (including by email) to the Security Trustee that such confirmation has been obtained) the appointment of which will not cause the then current ratings of the Rated Notes to be adversely affected.

For the avoidance of doubt, upon termination of the appointment of the Cash Manager, if the Issuer is unable to find a suitable third party willing to act as a substitute cash manager, this shall not constitute any breach of the provisions of the Cash Management Agreement.

#### *Resignation of the Cash Manager*

The Cash Manager may resign on giving not less than 60 days' written notice (or such shorter time as may be agreed between the Cash Manager, the Issuer, the Servicer and the Security Trustee) of its resignation to the Issuer, the Servicer, the Note Trustee and the Security Trustee without providing any reason therefor and without being responsible for any liability incurred by reason thereof, provided that:

- (a) a substitute cash manager shall be appointed, such appointment to be effective not later than the date of such termination;
- (b) such substitute cash manager has the requisite cash management experience to perform the functions to be given to it under the Cash Management Agreement and is approved by the Issuer and the Security Trustee;
- (c) such substitute cash manager enters into a cash management agreement with the Issuer substantially on the terms of the Cash Management Agreement, and at fees which are consistent with those payable generally at the relevant time for the provision of cash management services for transactions similar to this transaction;
- (d) such substitute cash manager must be resident for tax purposes solely in the United Kingdom; and
- (e) (if the Rated Notes remain outstanding) such substitute cash manager must be a party that the Rating Agencies have previously confirmed by whatever means such Rating Agencies consider appropriate (provided that the Issuer is permitted to and does confirm in writing (including by email) to the Security Trustee that such confirmation has been obtained) the appointment of which will not cause the then current ratings of the Rated Notes to be adversely affected provided further that to the extent that a request for written confirmation from the Rating Agencies elicits no response from a Rating Agency within 5 Business Days of the date of such request, the Issuer shall be entitled to assume (and shall certify in writing to the Note Trustee and the Security Trustee (upon which certification the Note Trustee and Security Trustee shall be entitled to rely absolutely without liability to any person for so doing) that it is entitled to assume) that the appointment of such entity as a substitute cash manager will not cause the ratings assigned to the Rated Notes by that non-responsive Rating Agency to be downgraded or withdrawn.

#### *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.

## **The Bank Account Agreement**

Pursuant to the terms of a bank account agreement entered into on or about the Closing Date between the Issuer, the Issuer Account Bank, the Cash Manager and the Security Trustee (the "**Bank Account Agreement**"), the Issuer will maintain with the Issuer Account Bank and the Issuer Account which will be operated in accordance with the Cash Management Agreement and the Deed of Charge. The Issuer Account Bank is required to have all of the Account Bank Ratings.

### *Governing Law*

The 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, the Issuer, the Corporate Services Provider, the Share Trustee, Holdings, the Originator and the Security Trustee will enter into a corporate services agreement (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), providing 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.

## **The Collection Account Declaration of Trust**

On 20 January 2015, the Legal Title Holder and others entered into the Collection Account Declaration of Trust (the "**Collection Account Declaration of Trust**") pursuant to which the Legal Title Holder declared a trust (the "**Collection Account Trust**") in favour of the Bridge Issuer over all its rights, title, interest and benefit (both present and future) in the Collection Account, including all amounts standing to the credit of the Collection Account, absolutely for the beneficiaries in the manner specified in the Collection Account Declaration of Trust. On the Closing Date, the Issuer and the Security Trustee will accede to the Collection Account Declaration of Trust pursuant to a collection account declaration of trust accession undertaking between, *inter alios*, the Legal Title Holder and the Issuer dated on or around the Closing Date (the "**Collection Account Declaration of Trust Accession Undertaking**"), from which point, the Collection Account Trust will be held by the Legal Title Holder in favour of the Issuer absolutely and the Bridge Issuer will cease to be a party to the Collection Account Declaration of Trust.

### *Governing Law*

The Collection Account Declaration of Trust and any non-contractual obligations arising out of or in connection with it will be governed by English law.

## **The Collection Account Agreement**

On 20 January 2015, the Legal Title Holder, the Collection Account Bank and others entered into a collection account agreement (the "**Collection Account Agreement**") pursuant to which the Legal Title Holder and the Bridge Issuer (in its capacity as the beneficiary of the Collection Account Trust) appointed the Collection Account Bank as account bank in relation to the Collection Account. On the Closing Date,

the Issuer and the Security Trustee will accede to the Collection Account Agreement pursuant to a collection account agreement accession undertaking between, *inter alios*, the Legal Title Holder, the Collection Account Bank and the Issuer dated on or around the Closing Date (the "**Collection Account Agreement Accession Undertaking**") and the Bridge Issuer will cease to be a party to the Collection Account Agreement.

All Revenue Receipts and Redemption Receipts received in respect of the Loans from Borrowers will be paid into the Collection Account. The Collection Account Bank will, without any further instruction, automatically transfer the aggregate amount of funds standing to the credit of the Collection Account that are available to be withdrawn at that time in excess of the minimum required balance at the close of business on each Business Day. The Collection Account Bank shall be entitled at any time to deduct from amounts standing to the credit of the Collection Account any amounts to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme or in respect of other unpaid sums relating to amounts received in respect of the Loans from Borrowers or to pay certain other amounts due or owing to the Collection Account Bank.

Certain fees and expenses of the Collection Account Bank will be paid by the Issuer, subject to and in accordance with the Priority of Payments.

"**Direct Debiting Scheme**" means the system for the manual or automated debiting of bank accounts by Direct Debit operated in accordance with the detailed rules of certain members of the Association for Payment Clearing Services.

#### *Governing Law*

The Collection Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

## CREDIT STRUCTURE

The Notes are obligations of the Issuer only. The Notes are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes are not obligations of, or the responsibility of, or guaranteed by, any of the Relevant Parties. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Relevant Parties or by any other person other than the Issuer.

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

### 1. **Liquidity 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 (y) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess payable to the Certificateholders at item (z) of the Pre-Enforcement 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 relative to the interest rates on the Notes (as to which, see "*Interest Rate Risk*" below) and the performance of the Portfolio.

Available Revenue Receipts will be applied (after making payments ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio and from the application of Available Redemption Receipts as Principal Addition Amounts to cure any Senior Expenses Deficit in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments provided that amounts will only be released to pay a deficit at item (g), (i) or (k) of the Pre-Enforcement Revenue Priority of Payments if the relevant Principal Addition Amount Condition is satisfied.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments required to be met under items (a) to (n) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish the Reserve Fund up to an amount equal to the Reserve Fund Required Amount.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date from and including the Optional Redemption Date or the Final Redemption Date exceeds the aggregate of the payments required to be met under items (a) to (u) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available as Enhanced Amortisation Amounts to be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

### 2. **Reserve Fund and Reserve Fund Ledger**

On the Closing Date, the Issuer will establish a fund which will be credited with the Reserve Fund Required Amount from the proceeds of the Subordinated Noteholders' subscription for the Subordinated Notes on the Closing Date (the "**Reserve Fund**") to provide liquidity support (and credit enhancement) for the Notes. The Reserve Fund will be deposited in the Issuer Account (with a corresponding credit being made to the Reserve Fund Ledger). On each Interest Payment Date other than on the Final Redemption Date, an amount (if any) equal to the amount standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount will be applied as Available Revenue Receipts. For more information about the application of the amounts standing to

the credit of the Reserve Fund, see the section "*Cashflows – Application of Monies released from the Reserve Fund*" below.

The Cash Manager will maintain the Reserve Fund Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Reserve Fund.

After the Closing Date, on each Interest Payment Date up to and including the Final Redemption Date, the Reserve Fund will be replenished up to the Reserve Fund Required Amount from Available Revenue Receipts (to the extent available) in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments.

On each Interest Payment Date up to and including the Final Redemption Date, the Cash Manager will apply any Reserve Fund Drawings to meet any Revenue Deficit against any relevant item in the Pre-Enforcement Revenue Priority of Payments (subject to satisfaction of the Reserve Fund Conditions).

The "**Reserve Fund Conditions**" are satisfied:

- (a) in respect of any payment towards items (a) to (h), (j), (l) and (n) of the Pre-Enforcement Revenue Priority of Payment, at all times;
- (b) if in respect of any payment towards interest due on the Class C Notes, such payment would not result in the outstanding balance of the Class C Principal Deficiency Sub-Ledger being equal to or greater than 50% of the Principal Amount Outstanding of the Class C Notes on the immediately preceding Interest Payment Date (after the application of Available Revenue Receipts and Available Redemption Receipts on such Interest Payment Date);
- (c) if in respect of any payment towards interest due on the Class D Notes, such payment would not result in the outstanding balance of the Class D Principal Deficiency Sub-Ledger being equal to or greater than 50% of the Principal Amount Outstanding of the Class D Notes on the immediately preceding Interest Payment Date (after the application of Available Revenue Receipts and Available Redemption Receipts on such Interest Payment Date); and
- (d) if in respect of any payment towards interest due on the Class E Notes, such payment would not result in the outstanding balance of the Class E Principal Deficiency Sub-Ledger being equal to or greater than 50% of the Principal Amount Outstanding of the Class E Notes on the immediately preceding Interest Payment Date (after the application of Available Revenue Receipts and Available Redemption Receipts on such Interest Payment Date).

A "**Revenue Deficit**" shall be, on any Interest Payment Date, an amount equal to the aggregate of any shortfall in Available Revenue Receipts (and for this purpose, without regard to any Principal Addition Amounts) to pay items (a) to (n) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date as determined by the Cash Manager on the immediately preceding Calculation Date.

The "**Reserve Fund Required Amount**" means an amount equal to:

- (a) On the Closing Date, 3.00 per cent. of the aggregate Current Balance of the Loans as at the Original Cut-Off Date;
- (b) On any Interest Payment Date (other than an Interest Payment Date occurring on or after the Final Redemption Date), the lower of:

- (i) 3.00 per cent. of the aggregate Current Balance of the Loans as at the Original Cut-Off Date; and
- (ii) 6.00 per cent. of the aggregate Current Balance of the Loans as at the immediately preceding Cut-Off Date,

subject to a minimum of 1.00% of the sum of the Principal Amount Outstanding of the Rated Notes as at the Closing Date;

- (c) On or after the Final Redemption Date, zero.

On the Closing Date, the Reserve Fund Required Amount will be equal to £8,203,281.69.

On the Final Redemption Date only, all amounts standing to the credit of the Reserve Fund (after first, amounts have been credited to the Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments on the Final Redemption Date and second, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve Fund Conditions)) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

**"Reserve Fund Drawing"** means an amount equal to the lower of (a) the amount required to cure a Revenue Deficit and (b) amounts standing to the credit of the Reserve Fund, on the relevant Interest Payment Date (subject to the satisfaction of the Reserve Fund Conditions).

### 3. Use of Available Redemption Receipts to pay Senior Expenses Deficit

On each Calculation Date prior to the service of an Enforcement Notice, and with reference to the immediately following Interest Payment Date, the Cash Manager will calculate whether (after application of any Reserve Fund Drawings to meet any Revenue Deficit) there will be an excess or a deficit of Available Revenue Receipts (and for this purpose, without regard to any Principal Addition Amounts) available to pay items (a) to (e), (g), (i) and (k) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date.

If the Cash Manager determines that there will be a deficit (the **"Senior Expenses Deficit"**), then pursuant to item (a) of the Pre-Enforcement Redemption Priority of Payments, the Cash Manager on behalf of the Issuer shall apply the Principal Addition Amounts as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments provided that amounts will only be released to pay a deficit at item (g), (i) or (k) of the Pre-Enforcement Revenue Priority of Payments if the relevant Principal Addition Amount Condition is satisfied.

Any Available Redemption Receipts applied as Principal Addition Amounts will be recorded as a debit on the Principal Deficiency Ledger (as further described below).

The **"Principal Addition Amount Condition"** means:

- (a) in respect of a deficit at item (g) of the Pre-Enforcement Revenue Priority of Payments, the Class B Principal Addition Amount Condition;
- (b) in respect of a deficit at item (i) of the Pre-Enforcement Revenue Priority of Payments, the Class C Principal Addition Amount Condition; and
- (c) in respect of a deficit at item (k) of the Pre-Enforcement Revenue Priority of Payments, the Class D Principal Addition Amount Condition.

The "**Class B Principal Addition Amount Condition**" is satisfied if in respect of any payment towards interest due on the Class B Notes, such payment would not result in the outstanding balance of the Class B Principal Deficiency Sub-Ledger being equal to or greater than 50% of the Principal Amount Outstanding of the Class B Notes on the immediately preceding Interest Payment Date (after the application of Available Revenue Receipts and Available Redemption Receipts on such Interest Payment Date).

The "**Class C Principal Addition Amount Condition**" is satisfied if in respect of any payment towards interest due on the Class C Notes, such payment would not result in the outstanding balance of the Class C Principal Deficiency Sub-Ledger being equal to or greater than 25% of the Principal Amount Outstanding of the Class C Notes on the immediately preceding Interest Payment Date (after the application of Available Revenue Receipts and Available Redemption Receipts on such Interest Payment Date).

The "**Class D Principal Addition Amount Condition**" is satisfied if in respect of any payment towards interest due on the Class D Notes, such payment would not result in the outstanding balance of the Class D Principal Deficiency Sub-Ledger being equal to or greater than 25% of the Principal Amount Outstanding of the Class D Notes on the immediately preceding Interest Payment Date (after the application of Available Revenue Receipts and Available Redemption Receipts on such Interest Payment Date).

For more information about the application of Available Redemption Receipts to pay Senior Expenses Deficits, see the section "*Cashflows – Application of Available Redemption Receipts to cure a Senior Expenses Deficit*".

#### 4. **Principal Deficiency Ledger**

A Principal Deficiency Ledger will be established to record any Losses affecting the Loans in the Portfolio and/or any Principal Addition Amounts. The "**Principal Deficiency Ledger**" will comprise certain sub-ledgers: the Principal Deficiency Ledger relating to the Class A Notes (the "**Class A Principal Deficiency Sub-Ledger**"), the Principal Deficiency Ledger relating to the Class B Notes (the "**Class B Principal Deficiency Sub-Ledger**"), the Principal Deficiency Ledger relating to the Class C Notes (the "**Class C Principal Deficiency Sub-Ledger**"), the Principal Deficiency Ledger relating to the Class D Notes (the "**Class D Principal Deficiency Sub-Ledger**"), the Principal Deficiency Ledger relating to the Class E Notes (the "**Class E Principal Deficiency Sub-Ledger**" and, together with the Class A Principal Deficiency Sub-Ledger, the Class B Principal Deficiency Sub-Ledger, the Class C Principal Deficiency Sub-Ledger and the Class D Principal Deficiency Sub-Ledger, the "**Rated Notes Principal Deficiency Sub-Ledgers**"), the Principal Deficiency Ledger relating to the Class Z Notes (the "**Class Z Principal Deficiency Sub-Ledger**") and the Principal Deficiency Ledger relating to the Overcollateralisation Amount (the "**OC Principal Deficiency Sub-Ledger**") (each a "**Principal Deficiency Sub-Ledger**"). Any Losses on the Portfolio and/or any Principal Addition Amounts will be recorded as a debit (on the date that the Cash Manager is informed of such Losses by the Servicer or such Principal Addition Amounts are determined by the Cash Manager (as applicable)) (a) first, to the OC Principal Deficiency Sub-Ledger up to a maximum amount equal to the Overcollateralisation Amount; (b) second, to the Class Z Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class Z Notes; (c) third, to the Class E Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class E Notes, (d) fourth, to the Class D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes; (e) fifth, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes; (f) sixth, to the Class B Principal Deficiency Sub-Ledger up to a maximum 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 a maximum amount equal to the Principal Amount Outstanding of the Class A Notes.



Investors should note that realised Losses 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. The Cash Manager will record as a credit to the Principal Deficiency Ledger (i) Available Revenue Receipts applied pursuant to items (f), (h), (j), (l), (n), (p) and (q) of the Pre-Enforcement Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon become Available Redemption Receipts) and (ii) Enhanced Amortisation Amounts applied in accordance with item (v) of the Pre-Enforcement Revenue Priority of Payments (which amounts shall, for the avoidance of doubt, thereupon become Available Redemption Receipts).

Any amount credited to the Principal Deficiency Ledger in respect of Enhanced Amortisation Amounts will be reduced to the extent of any future Losses arising in respect of the Portfolio.

## **5. Available Revenue Receipts and Available Redemption Receipts**

Available Revenue Receipts and Available Redemption Receipts shall be applied on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments, respectively. Other than amounts which the Issuer expects to generate in each accounting period as its profit in respect of the business of the Issuer, amounts standing to the credit of the Reserve Fund Ledger, it is not intended that any surplus will be accumulated in the Issuer.

If, on any Interest Payment Date while there are Rated Notes outstanding, the Available Revenue Receipts, Reserve Fund Drawings and Principal Addition Amounts are insufficient to pay the interest that would otherwise be payable absent the deferral provisions in respect of the Notes other than in respect of the Most Senior Class of Notes, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. Any such deferral in accordance with the deferral provisions contained in the Conditions will not constitute an Event of Default. However, 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.

If the Issuer has insufficient Available Revenue Receipts or Available Redemption Receipts, as applicable, to pay any Additional Note Payment Amounts otherwise due in respect of the Class B Additional Note Payment, Class C Additional Note Payment, Class D Additional Note Payment or Class E Additional Note Payment (as the case may be), then the Issuer will be entitled under Condition 18 (*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.

## 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 Charges) and other amounts received by the Issuer in respect of the Loans and their Related Security other than payments of interest, fees and other amounts comprising Redemption Receipts (and other than any amount received in respect of a Loan following the Seller making a payment in lieu of the obligation to repurchase such Loan under the Mortgage Sale Agreement), (b) recoveries of interest from defaulting Borrowers under Loans being enforced, (c) recoveries of all amounts from defaulting Borrowers under Loans following enforcement and sale of the relevant property other than any recoveries comprising Redemption Receipts and (d) the proceeds of repurchase attributable to Accrued Interest and Arrears of Interest only of any Loan repurchased by the Seller or the Originator from the Issuer pursuant to the Mortgage Sale Agreement.

### Definition of Available Revenue Receipts

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

- (a) Revenue Receipts or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date received (i) during the immediately preceding Collection Period, or (ii) if representing amounts received in respect of any repurchases (and/or payments made in lieu of repurchase in accordance with the terms of the Mortgage Sale Agreement) of Loans and their Related Security by the Seller pursuant to the Mortgage Sale Agreement, from but excluding the Cut-Off Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Cut-Off Date;
- (b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period;
- (c) any Principal Addition Amounts (subject to the satisfaction of the relevant Principal Addition Amount Condition);
- (d) (other than on the Final Redemption Date), an amount (if any) equal to the amount standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount on such Interest Payment Date;
- (e) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*);
- (f) amounts credited to the Issuer Account on the immediately preceding Interest Payment Date in accordance with item (y) of the Pre-Enforcement Revenue Priority of Payments;
- (g) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Redemption Receipts; and
- (h) Excess Redemption Receipts;

*less:*

- (i) 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) certain costs and expenses incurred by the Servicer on behalf of itself and/or the Legal Title Holder in respect of its servicing of the Loans, and not otherwise covered by items (ii) to (iv) below;
  - (ii) payments of certain insurance premiums in respect of the Insurance Policies (to the extent referable to the Loans);
  - (iii) amounts under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited; and
  - (iv) 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,(items within (i) being collectively referred to herein as "**Third Party Amounts**");
- (j) any tax payments paid or payable by the Issuer during the immediately preceding Collection Period to the extent not funded from amounts standing to the credit of the Issuer Profit Ledger; and
- (k) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to the Collection Account or to pay any amounts due to the Collection Account Bank.

#### **Application of Monies released from the Reserve Fund**

Prior to service of an Enforcement Notice on the Issuer, an amount equal to any Reserve Fund Drawings shall be debited from the Reserve Fund Ledger immediately following the application of Available Revenue Receipts to cure any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in such order of priority as such items appear in the Pre-Enforcement Revenue Priority of Payments (subject to the satisfaction of the Reserve Fund Conditions). On each Interest Payment Date, an amount equal to the amount standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount on such Interest Payment Date (taking into account payments to be made on such Interest Payment Date) shall be withdrawn from the Reserve Fund and applied as Available Revenue Receipts on such Interest Payment Date. On the Final Redemption Date all amounts standing to the credit of the Reserve Fund Ledger will be applied (after first, amounts have been credited to the Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments on the Final Redemption Date and second, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve Fund Conditions)) as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments. Following service of an Enforcement Notice on the Issuer, all amounts standing to the credit of the Reserve Fund Ledger will be applied in accordance with the Post-Enforcement Priority of Payments.

#### **Application of Available Redemption Receipts to cure a Senior Expenses Deficit**

Prior to service of an Enforcement Notice on the Issuer, if the Cash Manager calculates that there will be a Senior Expenses Deficit on the immediately following Interest Payment Date, disregarding for such purposes amounts applied as Principal Addition Amounts (but taking into account any Reserve Fund Drawings), the Issuer shall use Available Redemption Receipts (to the extent available) to cure such a Senior Expenses

Deficit on such Interest Payment Date, and such amounts will be applied as Available Revenue Receipts on such Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments provided that amounts will only be released to pay a deficit at item (g), (i) or (k) of the Pre-Enforcement Revenue Priority of Payments if the relevant Principal Addition Amount Condition is satisfied.

If any Principal Addition Amounts are applied on any Interest Payment Date in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments, the Issuer (or the Cash Manager on its behalf) will make a corresponding debit entry in the Principal Deficiency Ledger.

#### **Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer**

The Cash Manager, on behalf of the Issuer, is required pursuant to the terms of the Cash Management Agreement to apply or provide for the application of (i) the Available Revenue Receipts on each relevant Interest Payment Date prior to the service of an Enforcement Notice by the Note Trustee on the Issuer, and (ii) the Available Revenue Receipts and any amounts received by the Issuer in relation to the Majority Certificateholder Portfolio Purchase Option or the Risk Retention Regulatory Change Option on the Final Redemption Date, 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 "**Pre-Enforcement 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 then due 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 then due 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 (in each case without double counting) of:
  - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agent and any fees, costs, charges, liabilities and expenses then due to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
  - (iii) any amounts then due and payable to an entity appointed by the Issuer as a designated reporting entity for the purposes of complying with the Article 8b Requirements (the "**Designated Reporting Entity**") and any fees, costs, charges, liabilities and expenses then due under any relevant documentation in relation to such appointment, together with (if payable) VAT thereon as provided therein;
  - (iv) any amounts then due and payable to the Servicer and the Legal Title Holder and any fees, costs, charges, liabilities and expenses then due under the provisions of the Servicing 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 under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
  - (vi) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Bank Account Agreement, together with (if applicable) VAT thereon as provided therein; and
  - (vii) any amounts then due and payable to the Collection Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Collection Account Agreement, together with (if applicable) VAT thereon as provided therein;
- (c) *third*, to pay, *pro rata* and *pari passu* Third Party Expenses (if any) and any amounts required to pay or discharge any liability of the Issuer for corporation tax of the Issuer;
  - (d) *fourth*, to pay the Issuer an amount equal to £300 to be retained by the Issuer as profit in respect of the business of the Issuer (the "**Issuer Profit Amount**");
  - (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 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 Redemption 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 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 Redemption Receipts);
  - (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 C Notes;
  - (j) *tenth* (so long as the Class C Notes 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 Redemption Receipts);
  - (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 D Notes;
  - (l) *twelfth*, (so long as the Class D Notes 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 Redemption Receipts);
  - (m) *thirteenth*, 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;
  - (n) *fourteenth*, (so long as the Class E Notes 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 Redemption Receipts);
  - (o) *fifteenth*, to credit the Reserve Fund Ledger up to the Reserve Fund Required Amount;

- (p) *sixteenth*, (so long as the Class Z Notes remain outstanding following such Interest Payment Date), to credit the Class Z Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (q) *seventeenth*, to credit the OC Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
- (r) *eighteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, amounts due and payable as Class B Additional Note Payments;
- (s) *nineteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, amounts due and payable as Class C Additional Note Payments;
- (t) *twentieth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, amounts due and payable as Class D Additional Note Payments;
- (u) *twenty-first*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, amounts due and payable as Class E Additional Note Payments;
- (v) *twenty-second*, on any Interest Payment Date occurring on or after the Optional Redemption Date or the Final Redemption Date, to apply all amounts as Available Redemption Receipts;
- (w) *twenty-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 Z Notes;
- (x) *twenty-fourth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Subordinated Notes;
- (y) *twenty-fifth*, on any Interest Payment Date falling within a Determination Period, all remaining amounts to be credited to the Issuer Account to be applied on the next Interest Payment Date as Available Revenue Receipts; and
- (z) *twenty-sixth*, any excess amounts *pro rata* and *pari passu* to the holder of the Residual Certificates.

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, custodian, financial adviser or other professional adviser 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 Amounts) on that Loan which is currently due and payable and unpaid on that date.

"**Early Repayment Charge**" means any early repayment charge or charges payable by any Borrower and calculated on the basis provided in the Mortgage Documents in the event that such Borrower repays all or any part of its Loan, voluntarily or to the extent recovered following an enforcement event under the relevant Loan, at any time before the end of the term of the related Mortgage.

"**Third Party Expenses**" means 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).

### **Definition of Redemption Receipts**

"**Redemption Receipts**" means (a) principal repayments under the Loans (including payments of arrears of principal and Capitalised Amounts) (other than any amount received in respect of a Loan following the Seller making a payment in lieu of the obligation to repurchase such Loan under the Mortgage Sale Agreement), (b) recoveries of principal from defaulting Borrowers under Loans being enforced, (c) recoveries of principal from defaulting Borrowers under Loans in respect of which enforcement procedures relating to the sale of the property have been completed (including the proceeds of sale of the relevant Property, to the extent such proceeds of sale are deemed to be principal but excluding all amounts received following a sale of the relevant Property), (d) any payment pursuant to any insurance policy in respect of a Property in connection with a Loan in the Portfolio, to the extent such payment is deemed to be principal, (e) the proceeds of the repurchase of any Loan (or payment in lieu of repurchase) by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (but for the avoidance of doubt, excluding amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date) and (g) any other payment received by the Issuer in the nature of principal.

"**Capitalised Amounts**" means, in relation to a Loan, at any date, amounts which are due or overdue in respect of that Loan (other than any principal amounts) and which as at that date have been capitalised in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower and any other amounts (including fees and expenses), capitalised in accordance with the service specification of the Servicer.

### **Definition of Available Redemption Receipts**

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

- (a) all Redemption Receipts or, if in a Determination Period, any Calculated Redemption 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 and (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security (or repayments in lieu of repurchases in accordance with the terms of the Mortgage Sale Agreement) that were repurchased by the Seller pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Cut-Off Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Cut-Off Date;
- (b) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments and the application of any Reserve Fund Drawings (subject to the satisfaction of the Reserve Fund Conditions), to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class C Principal Deficiency Sub-Ledger and/or the Class D Principal Deficiency Sub-Ledger and/or the Class E Principal Deficiency Sub-Ledger and/or the Class Z Principal Deficiency Sub-Ledger and/or the OC Principal Deficiency Sub-Ledger is to be reduced on that Interest Payment Date;
- (c) any amounts deemed to be Available Redemption Receipts in accordance with item (v) of the Pre-Enforcement Revenue Priority of Payments (the "**Enhanced Amortisation Amounts**");

- (d) on the Final Redemption Date only, all amounts standing to the credit of the Reserve Fund Ledger (after first, amounts have been credited to the Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments on the Final Redemption Date and second, having applied any Reserve Fund Drawings to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve Fund Conditions)); and
- (e) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Redemption Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*).

**Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer**

On each relevant Interest Payment Date prior to the service of an Enforcement Notice on the Issuer or on the Final Redemption Date, the Cash Manager on behalf of the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Redemption Receipts in the following order of priority (the "**Pre-Enforcement Redemption Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full):

- (a) *first*, any Principal Addition Amounts (subject to the satisfaction of the relevant Principal Addition Amount Condition) to be applied to meet any Senior Expenses Deficit;
- (b) *second*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (c) *third*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (d) *fourth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (e) *fifth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (f) *sixth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
- (g) *seventh*, on any date on or after the Optional Redemption Date or the Final Redemption Date to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, the interest due and payable on the Class Z Notes;
- (h) *eighth*, on any date on or after the Optional Redemption Date or the Final Redemption Date to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, the interest due and payable on the Subordinated Notes;
- (i) *ninth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class Z Notes until the Principal Amount Outstanding on the Class Z Notes has been reduced to zero;



- (j) *tenth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Subordinated Notes until the Principal Amount Outstanding on the Subordinated Notes has been reduced to zero; and
- (k) *eleventh*, payment of Excess Redemption Receipts to be applied as Available Revenue Receipts, other than on and from the Optional Redemption Date, in which case Excess Redemption Receipts are to be applied to make payments on the Residual Certificates.

#### **Distributions following the service of an Enforcement Notice on the Issuer**

After an Enforcement Notice has been served on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by the Security Trustee in connection with the enforcement of the Security will apply all amounts received or recovered other than any amount standing to the credit of the Issuer Profit Ledger, which shall be applied by the Issuer in or towards satisfaction of any liability of the Issuer for corporation tax of the Issuer, 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 "**Post-Enforcement Priority of Payments**" and, together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments, the "**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 then due and payable to the Note Trustee, Receiver 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 then due and payable to the Security Trustee, Receiver 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 remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agent and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
  - (iii) any amounts then due and payable to the Designated Reporting Entity and any fees, costs, charges, liabilities and expenses then due under any relevant documentation in relation to such appointment, together with (if payable) VAT thereon as provided therein;
  - (iv) any amounts then due and payable to the Servicer and the Legal Title Holder and any fees, costs, charges, liabilities and expenses then due under the provisions of the Servicing 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 and payable to the Corporate Services Provider

under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;

- (vi) any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Issuer Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein; and
- (vii) any amounts then due and payable to the Collection Account Bank and any fees, costs, charges, liabilities and expenses then due under the provisions of the Collection Account Agreement, together with (if applicable) VAT thereon as provided therein;
- (c) *third*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof interest and principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (d) *fourth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (e) *fifth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (f) *sixth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (g) *seventh*, in or towards repayment, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class E Notes until the Principal Amount Outstanding on the Class E Notes has been reduced to zero;
- (h) *eighth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, amounts due and payable as Class B Additional Note Payments;
- (i) *ninth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, amounts due and payable as Class C Additional Note Payments;
- (j) *tenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, amounts due and payable as Class D Additional Note Payments;
- (k) *eleventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, amounts due and payable as Class E Additional Note Payments;
- (l) *twelfth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class Z Notes until the Principal Amount Outstanding on the Class Z Notes has been reduced to zero;
- (m) *thirteenth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Subordinated Notes until the Principal Amount Outstanding on the Subordinated Notes has been reduced to zero;
- (n) *fourteenth*, to pay, *pro rata* and *pari passu*, Third Party Expenses (if any);

- (o) *fifteenth*, to pay the Issuer Profit Amount; and
- (p) *sixteenth*, to pay any excess amounts, *pro rata* and *pari passu*, to the holders of the Residual Certificates.

## DESCRIPTION OF THE GLOBAL NOTES

### General

Each Class of Notes as at the Closing Date will each be represented by a Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes will be registered in the name of a nominee of the Common Depositary as nominee for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Depositary as the owner of the Global Note.

Upon confirmation by the Common Depositary 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 ("**Book-Entry Interests**").

Book-Entry Interests in respect of each Global Note will be recorded in denominations of £100,000 and higher integral multiples of £1,000 (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 or the Residual Certificate Book-Entry Interests through Participants or through other Indirect 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. 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 Lead Manager. 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 Depositary is the registered holder of the Global Note underlying the Book-Entry Interests, the nominee for the Common Depositary will be considered the sole Noteholder of the Global Note for all purposes under the Trust Deed. Except as set out under "*Issuance of Registered Definitive Notes*", 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 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 under the Trust Deed. See "*Action in respect of the Global Notes and the Book-Entry Interests*", below.

Unlike legal owners or holders of the Notes, 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 under the Global Note, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg

unless and until Registered Definitive Notes 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 Book-Entry Interests are exchanged for Registered Definitive Notes, the Global Note held by the Common Depositary may not be transferred except as a whole by the Common Depositary to a successor of the Common Depositary.

Purchasers of Book-Entry Interests in a Global Note will hold Book-Entry Interests in the Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out 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 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.

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 Arranger, the Lead Manager, the Note Trustee, the Security Trustee or any of their respective 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.

### **Payments on the Global Notes**

Payment of principal and interest on, and any other amount due in respect of, the Global Notes 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 to the order of the Common Depositary or its nominee as the registered holder thereof with respect to the Global Notes. 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 to the order of the Common Depositary 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 the Common Depositary, 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 (i) where the Notes 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 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 Lead Manager, 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 Common Depository 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.

## **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.

## **Issuance of Registered Definitive Notes**

Holders of Book-Entry Interests in the Global Note will be entitled to receive Notes in definitive registered form (such as exchanged Global Notes in definitive registered form, "**Registered Definitive Notes**") 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 or to cease to make book-entry systems available for settlement of beneficial interests in such Global Notes and do in fact do either of those things 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 which would not be required were the Notes in definitive registered form. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note 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 issued in exchange for Book-Entry Interests in the Global Note will not be entitled to exchange such Registered Definitive Notes for Book-Entry Interests in such Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set out 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 or, as the case may be, the due date for redemption. Registered Definitive Notes will be issued in a denomination that is an integral multiple of the minimum Authorised Denomination. See "*Risk Factors – Registered Definitive Notes and denominations in integral multiples*" above.

## **Action in respect of the Global Notes and the Book-Entry Interests**

Not later than 10 days after receipt by the Issuer of any notices in respect of a Global Note or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note, 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 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 in accordance with any instructions set out 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.

## **Notices**

Whilst the Notes are represented by Global Notes the Issuer may, at its option, send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Noteholders for communication by Euroclear and Clearstream, Luxembourg to the Noteholders. Alternatively, such notices regarding the Notes may instead be 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, the Issuer procures that the information contained 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, publication in such newspaper shall not be required with respect to such information so long as the rules of the Irish Stock Exchange allow. The Issuer may elect not to publish any notice in a newspaper for so long as the Notes are held in global form and notice is given to Euroclear and Clearstream, Luxembourg. The Note Trustee may, in accordance with Condition 16.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Noteholders if such method is reasonable having regard to, among other things, the market practice then prevailing and the requirements of the relevant stock exchange. See also Condition 16 (*Notice to Noteholders*) of the Notes.



## DESCRIPTION OF THE GLOBAL RESIDUAL CERTIFICATE

### General

The Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate. The Global Residual Certificate will be registered on issue on or around the Closing Date in the name of a nominee of the Common Depositary as nominee for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Registrar will maintain a register in which it will register the nominee for the Common Depositary as the holder of the Global Residual Certificate.

Upon confirmation by the Common Depositary that it has been issued with the Global Residual Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Global Residual Certificate ("**Residual Certificate Book-Entry Interests**") representing beneficial interests in the Residual Certificates attributable thereto.

Ownership of Residual Certificate Book-Entry Interests will be limited to Participants or 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 will also include persons that hold beneficial interests through such Indirect Participants. Residual Certificate 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 Residual Certificate 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 Seller. Ownership of Residual Certificate Book-Entry Interests will be shown on, and transfers of Residual Certificate 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 Residual Certificate Book-Entry Interests.

So long as the nominee of the Common Depositary is the registered holder of the Global Residual Certificate underlying the Residual Certificate Book-Entry Interests, it will be considered the sole Certificateholder of the Residual Certificate represented by that Global Residual Certificate for all purposes under the Trust Deed. Except as set out under the section below entitled "*Issuance of Definitive Residual Certificates*", Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Residual Certificates in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Residual Certificate 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 Residual Certificate Book-Entry Interests, to exercise any rights and obligations of a holder of Residual Certificates under the Trust Deed. See the section below entitled "*Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests*".

Unlike legal owners or holders of the Residual Certificates, holders of the Residual Certificate 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 Certificateholders. Instead, a holder of Residual Certificate 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 Residual Certificate Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default, holders of Residual Certificate Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until

Definitive Residual Certificates are issued in accordance with the Residual Certificates 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.

Unless and until Residual Certificate Book-Entry Interests are exchanged for Definitive Residual Certificates, the Global Residual Certificate held by the nominee for the Common Depositary may not be transferred except as a whole by that nominee for the Common Depositary to a successor nominee for that Common Depositary or a nominee of a successor of the Common Depositary.

Purchasers of Residual Certificate Book-Entry Interests in a Global Residual Certificate will hold Residual Certificate Book-Entry Interests in the Global Residual Certificate relating thereto. Investors may hold their Residual Certificate Book-Entry Interests in respect of a Global Residual Certificate directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out in the section below entitled "*Transfers and Transfer Restrictions*"), 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 Residual Certificate Book-Entry Interests in the Global 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.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Residual Certificate 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 Arranger, the Lead Manager, the Note Trustee, the Security Trustee or any of their respective 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.

### **Issuance of Definitive Residual Certificates**

The Global Residual Certificate will become exchangeable in whole, but not in part, for Definitive Residual Certificates at the request of the holder of the relevant Global Residual Certificate if Euroclear or Clearstream, Luxembourg closes for business on a permanent basis without a successor to act as a clearing system with respect to the Global Residual Certificate (the "**Exchange Event**").

Any Definitive Residual Certificate issued in exchange for Residual Certificate Book-Entry Interests in the Global 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 Residual Certificate Book-Entry Interests. Whenever a Global Residual Certificate is to be exchanged for Definitive Residual Certificates, the Issuer shall procure the prompt delivery (free of charge to the holders of the Residual Certificate Book-Entry Interests) of such Definitive Residual Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the relevant Global Residual Certificate within 30 days of the occurrence of the Exchange Event.

### **Payments on Global Residual Certificate**

Payment of amounts due in respect of the Global Residual Certificate will be made in Sterling by or to the order of the Principal Paying Agent on behalf of the Issuer to the order of the Common Depositary or its nominee as the registered holder thereof with respect to the Global Residual Certificate.

Each holder of Residual Certificate 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 to the order of the Common Depositary or its nominee in respect of those Residual Certificate Book-Entry Interests. All

such payments will be distributed without deduction or withholding for 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 none of the Issuer, the Principal Paying Agent or 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 Common Depository, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Residual Certificate 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 Participants for the purposes of making payments under the Global Residual Certificate. The Record Date in respect of the Global Residual Certificate shall be as at the close of business on the Business Day prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Residual Certificate 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 Lead Manager, 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 Residual Certificate Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Residual Certificate 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 Residual Certificates and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg 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 Residual Certificate Book-Entry Interests or if an owner of a Residual Certificate 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 Residual Certificate 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.

### **Transfers and Transfer Restrictions**

All transfers of Residual Certificate 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 the section above entitled "*General*").

Beneficial interests in the Global Residual Certificate may be held only through Euroclear or Clearstream, Luxembourg. The Global Residual Certificate will bear a legend similar to that appearing under the section of this Prospectus entitled "*Transfer Restrictions and Investor Representations*" below, and neither the Global Residual Certificate nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set out in the legend appearing in the relevant Global Residual Certificate.

### **Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests**

Not later than 10 days after receipt by the Issuer of any notice in respect of the Global Residual Certificate or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global 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 Residual Certificate Book-Entry Interests or the Global 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 Residual Certificate Book-Entry Interests or the Global Residual Certificate in accordance with any instructions set out in such request. Euroclear and Clearstream, Luxembourg are expected to follow the procedures described under the section above entitled "*General*", with respect to soliciting instructions from their respective Participants.

### **Notices**

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Certificateholders for communication by Euroclear and Clearstream, Luxembourg to the Certificateholders and shall procure that the information contained in such notice shall appear on a Relevant Screen (see also Residual Certificates Condition 16 (*Notice to Certificateholders*)). The Note Trustee may in accordance with the Residual Certificates Condition 16.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Certificateholders, if such method is reasonable having regard to the then prevailing market practice.

## TERMS AND CONDITIONS OF THE NOTES

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

### 1. GENERAL

The £179,000,000 Class A mortgage backed floating rate notes due April 2049 (the "**Class A Notes**"), the £21,000,000 Class B mortgage backed floating rate notes due April 2049 (the "**Class B Notes**"), the £21,000,000 Class C mortgage backed floating rate notes due April 2049 (the "**Class C Notes**"), the £18,000,000 Class D mortgage backed floating rate notes due April 2049 (the "**Class D Notes**"), the £21,000,000 Class E mortgage backed floating rate notes due April 2049 (the "**Class E Notes**") and together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "**Rated Notes**"), the £5,469,000 Class Z mortgage backed fixed rate notes due April 2049 (the "**Class Z Notes**") and the £8,204,000 subordinated fixed rate notes due April 2049 (the "**Subordinated Notes**", and the Subordinated Notes together with the Rated Notes and the Class Z Notes, the "**Notes**"), in each case of Aggregator of Loans Backed by Assets 2015-1 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on 23 April 2015 (the "**Closing Date**") and made between, among others, the Issuer and Citicorp Trustee Company 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, the Class Z Notes or the Subordinated 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 Citicorp Trustee Company Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to 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 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 a 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).

Physical 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.

## 2. INTERPRETATION

### 2.1 Definitions

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.

### 2.2 Interpretation

These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

## 3. FORM, DENOMINATION AND TITLE

### 3.1 Form and Denomination

Each Class of Notes will initially be represented by a global note certificate in registered form (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, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate. Each Global Note will be deposited with and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg.

For so long as the Notes are represented by a Global Note, and for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000, notwithstanding that no Registered Definitive Notes (as defined below) will be issued with a denomination above £199,000. A Global Note will be exchanged for the relevant Note in definitive registered form (such exchanged Global Notes in definitive registered form, the "**Registered Definitive Notes**") 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 or to cease to make book-entry systems available for settlement of beneficial interests in such Global Notes and do in fact do either of those things,

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 Notes which would not be required were the relevant Notes in definitive registered form.

If Registered Definitive Notes are issued in respect of 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 of the Notes 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 Notes in global and (if issued and printed) definitive form will be £100,000.

References to "**Notes**" in these Conditions shall include the Global Notes and the Registered Definitive Notes.

### 3.2 **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 3.1 (*Form and Denomination*) above. All transfers of Registered Definitive Notes are subject to any restrictions on transfer set out 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 as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

## **4. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY**

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

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, as provided in these Conditions and the Transaction Documents.

- (b) The Class B Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class B Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest, principal and the Class B Additional Note Payment (if any) at all times, but subordinate to the Class A Notes, as provided in these Conditions and the Transaction Documents (except that all payments in respect of any Class B Additional Note Payment will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class C Additional Note Payment, Class D Additional Note Payment and Class E Additional Note Payment). Accordingly, the interests of the persons who for the time being are registered in the Register as holders of Class B Notes (the "**Class B Noteholders**") will be subordinated to the interests of the persons who for the time being are registered in the Register as holders of Class A Notes (the "**Class A Noteholders**") (so long as any Class A Notes remain outstanding).
- (c) The Class C Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class C Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest, principal and the Class C Additional Note Payment (if any) at all times, but subordinate to the Class A Notes and the Class B Notes, as provided in these Conditions and the Transaction Documents (except that all payments in respect of any Class C Additional Note Payment will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class D Additional Note Payment and Class E Additional Note Payment). Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class C Notes (the "**Class C Noteholders**") will be subordinated to the interests of each of the Class A Noteholders and the Class B Noteholders (so long as any Class A Notes and/or any Class B Notes remain outstanding).
- (d) The Class D Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class D Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest, principal and the Class D Additional Note Payment (if any) at all times, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes, as provided in these Conditions and the Transaction Documents (except that all payments in respect of any Class D Additional Note Payment will rank subordinate to all payments under the Rated Notes other than all payments in respect of any Class E Additional Note Payment). Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class D Notes (the "**Class D Noteholders**") will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (so long as any Class A Notes and/or any Class B Notes and/or any Class C Notes remain outstanding).
- (e) The Class E Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class E Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest, principal and the Class E Additional Note Payment (if any) at all times, but subordinate 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 (except that all payments in respect of any Class E Additional Note Payment will rank subordinate to all payments under the Rated Notes). Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class E Notes (the "**Class E Noteholders**") will be subordinated to the interests of each 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 and/or any Class B Notes and/or any Class C Notes and/or any Class D Notes remain outstanding).



- (f) The Class Z Notes constitute direct, secured and (subject as provided in Condition 18 (*Subordination by Deferral*) and the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class Z Notes rank subordinate to all payments due in respect of the Rated Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of Class Z Notes (the "**Class Z Noteholders**") will be subordinated to the interests of the holders of the Rated Notes (so long as any Rated Notes remain outstanding). On or after the Optional Redemption Date or the Final Redemption Date, payments of principal on the Class Z Notes will be subordinated to payments of interest on the Subordinated Notes.
- (g) The Subordinated Notes constitute direct, secured and (subject as provided in Condition 18 (*Subordination by Deferral*) and the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Subordinated Notes rank subordinate to all payments due in respect of (i) the Rated Notes and (ii) (except as provided below) the Class Z Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Subordinated Notes (the "**Subordinated Noteholders**") will be subordinated to the interests of the holders of the Rated Notes (so long as any Rated Notes remain outstanding) and the Class Z Noteholders (so long as any Class Z Notes remain outstanding). On or after the Optional Redemption Date or the Final Redemption Date, payments of interest on the Subordinated Notes will be paid in priority to payments of principal on the Class Z Notes.
- (h) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of holders of each Class of the Notes as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee where there is a conflict of interests between one or more classes of Notes and/or the Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class of Notes ranking in priority to the other relevant Classes of Notes in the Pre-Enforcement Redemption Priority of Payments, disregarding for this purpose items (g) and (h) of the Pre-Enforcement Redemption Priority of Payments, or if there are no Notes then outstanding to the Certificateholders.
- (i) The Trust Deed also contains provisions limiting the powers of any Class of Noteholders 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 of Notes. Except in certain circumstances described in Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*), the Trust Deed contains no such limitation on the powers of the holders of the Most Senior Class of Notes, the exercise of which will be binding (save in respect of a Basic Terms Modification) on the holders of all other Classes of Notes and the Certificateholders in each case irrespective of the effect thereof on their respective interests.

As long as any Notes are outstanding but subject to Condition 13.5, the Security Trustee shall not have regard to the interests of the other Secured Creditors.

#### 4.2 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.

## 5. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under these Conditions or 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 undertakings;
- (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 and Beneficial 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 applicable Priority 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 Issuer Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **Purchase Notes:** purchase or otherwise acquire any Notes;

- (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;
- (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) **U.S. 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.

## 6. INTEREST AND ADDITIONAL NOTE PAYMENTS

### 6.1 Accrual of interest and Additional Note Payments

#### (a) *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 7 (*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.

#### (b) *Additional Note Payment*

Each of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes then outstanding (or, in the case of the redemption of part only of a Class B Note, Class C Note, Class D Note or Class E Note, as the case may be, that part only of such Note) shall accrue an Additional Note Payment from (and including) the Optional Redemption Date, subject to certain exceptions set out herein.

### 6.2 Interest Payment Dates

Interest will be payable in arrear on each Interest Payment Date, for all classes of Notes.

"**Interest Payment Date**" means the 24th day of each of month in each year or, if such day is not a Business Day, the immediately following Business Day with the first Interest Payment Date falling in May 2015.

Interest shall accrue:

- (a) in the case of a Class of the Rated Notes, from (and including) an Interest Payment Date (except in the case of the first Interest Period, which shall commence on (and include) the Closing Date) to (but excluding) the next following Interest Payment Date; and
- (b) in the case of the Class Z Notes and the Subordinated Notes, from (and including) a Fixed Rate Accrual Date (except in the case of the first Interest Period, which shall commence on (and include) the Closing Date) to (but excluding) the next following Fixed Rate Accrual Date

(each such period above, an "**Interest Period**").

"**Fixed Rate Accrual Date**" means the 24th day of each month in each year.

### 6.3 **Rate of Interest and Additional Note Payments**

#### *Rate of Interest*

- (a) The rate of interest payable from time to time in respect of each class or sub-class of the Notes (each a "**Rate of Interest**" and together the "**Rates of Interest**") will be:
- (i) in respect of the Rated Notes and any Interest Period, determined on the basis of the following provisions:
- (A) 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 one month Sterling deposits (or, in respect of the first Interest Period for the Notes, the linear interpolation of LIBOR for one and three months deposit in Sterling) 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:
- I. (a) in respect of the Class A Notes only:
- (i) from and including the Closing Date to (but excluding) the Optional Redemption Date, the Relevant Margin; or
- (ii) from (and including) the Optional Redemption Date, the Step-Up Margin;
- (b) in respect of the Rated Notes (other than the Class A Notes), the Relevant Margin, and
- II. the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for one month 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
- (B) 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 sub-paragraph (A) 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 sub-paragraph (A) shall have applied but taking account any change in the Relevant Margin and/or in the case of the Class A Notes, change in the applicability of the Step-Up Margin;

- (ii) in respect of the Class Z Notes and any Interest Period, 0.00 per cent. per annum; and
- (iii) in respect of the Subordinated Notes and any Interest Period, 0.00 per cent. per annum.

There will be no minimum or maximum Rate of Interest.

#### *Additional Note Payments*

- (b) From and including the Interest Payment Date falling in April 2049 (the "**Optional Redemption Date**"), each of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will accrue an Additional Note Payment (as defined below). Each Additional Note Payment will be payable monthly in arrear on each Interest Payment Date from (and including) the Interest Payment Date following the Optional Redemption Date.
- (c) Each of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will cease to attract its respective Additional Note Payment from and including the due date for redemption unless, upon due presentation in accordance with Condition 7 (*Payments*), payment of the principal in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (as the case may be) is improperly withheld or refused or default is otherwise made in respect of the payment, in which event the relevant Additional Note Payment (including any default interest due thereon) shall continue to accrue as provided in these Conditions.
- (d) Any Additional Note Payment that cannot be paid on an Interest Payment Date will be deferred in accordance with Condition 18 (*Subordination by deferral*) below. Any such Unpaid Additional Note Payment Amount in respect of the relevant Class will accrue interest.
- (e) In these Conditions (except where otherwise defined), the expression:
  - (i) "**Additional Note Payments**" means the Class B Additional Note Payment, the Class C Additional Note Payment, the Class D Additional Note Payment and the Class E Additional Note Payment, and each an "**Additional Note Payment**" as the context so requires;
  - (ii) "**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which banks are open for business in London;
  - (iii) "**Class B Additional Note Payment**" means, in relation to the Class B Notes, in respect of any Interest Payment Date the aggregate of:

- (A) the then Class B Current Additional Note Payment; and
  - (B) the Class B Unpaid Additional Note Payments (if any); and
  - (C) the Class B Unpaid Additional Note Payment Interest Amount (if any);
- (iv) "**Class B Current Additional Note Payment**" means, prior to the Optional Redemption Date, zero and then on and from the Optional Redemption Date an amount calculated in accordance with Condition 6.4 (*Determination of Rates of Interest, Interest Amounts and Additional Note Payment Amounts*) in respect of the Class B Notes;
- (v) "**Class B Unpaid Additional Note Payments**" means, in relation to an Interest Payment Date, any Class B Current Additional Note Payment and any Class B Unpaid Additional Note Payment Interest Amount which has not yet been paid in full on any previous Interest Payment Date and which the Issuer has deferred payment of such amount in accordance with the provisions of Condition 18.1(b);
- (vi) "**Class B Unpaid Additional Note Payment Interest Amount**" means an amount of interest that shall accrue in respect of the Class B Unpaid Additional Note Payment and calculated in accordance with Condition 6.4 (*Determination of Rates of Interest, Interest Amounts and Additional Note Payment Amounts*);
- (vii) "**Class C Additional Note Payment**" means, in relation to the Class C Notes, in respect of any Interest Payment Date the aggregate of:
- (A) the then Class C Current Additional Note Payment; and
  - (B) the Class C Unpaid Additional Note Payments (if any); and
  - (C) the Class C Unpaid Additional Note Payment Interest Amount (if any);
- (viii) "**Class C Current Additional Note Payment**" means, prior to the Optional Redemption Date, zero and then on and from the Optional Redemption Date an amount calculated in accordance with Condition 6.4 (*Determination of Rates of Interest, Interest Amounts and Additional Note Payment Amounts*) in respect of the Class C Notes;
- (ix) "**Class C Unpaid Additional Note Payments**" means, in relation to an Interest Payment Date, any Class C Current Additional Note Payment and any Class C Unpaid Additional Note Payment Interest Amount which has not yet been paid in full on any previous Interest Payment Date and which the Issuer has deferred payment of such amount in accordance with the provisions of Condition 18.1(b);
- (x) "**Class C Unpaid Additional Note Payment Interest Amount**" means an amount of interest that shall accrue in respect of the Class C Unpaid Additional Note Payment and calculated in accordance with Condition 6.4 (*Determination of Rates of Interest, Interest Amounts and Additional Note Payment Amounts*);
- (xi) "**Class D Additional Note Payment**" means, in relation to the Class D Notes, in respect of any Interest Payment Date the aggregate of:
- (A) the then Class D Current Additional Note Payment; and

- (B) the Class D Unpaid Additional Note Payments (if any); and
  - (C) the Class D Unpaid Additional Note Payment Interest Amount (if any);
- (xii) "**Class D Current Additional Note Payment**" means, prior to the Optional Redemption Date, zero and then on and from the Optional Redemption Date an amount calculated in accordance with Condition 6.4 (*Determination of Rates of Interest, Interest Amounts and Additional Note Payment Amounts*) in respect of the Class D Notes;
- (xiii) "**Class D Unpaid Additional Note Payments**" means, in relation to an Interest Payment Date, any Class D Current Additional Note Payment and any Class D Unpaid Additional Note Payment Interest Amount which has not yet been paid in full on any previous Interest Payment Date and which the Issuer has deferred payment of such amount in accordance with the provisions of Condition 18.1(b);
- (xiv) "**Class D Unpaid Additional Note Payment Interest Amount**" means an amount of interest that shall accrue in respect of the Class D Unpaid Additional Note Payment and calculated in accordance with Condition 6.4 (*Determination of Rates of Interest, Interest Amounts and Additional Note Payment Amounts*);
- (xv) "**Class E Additional Note Payment**" means, in relation to the Class E Notes, in respect of any Interest Payment Date the aggregate of:
- (A) the then Class E Current Additional Note Payment; and
  - (B) the Class E Unpaid Additional Note Payments (if any); and
  - (C) the Class E Unpaid Additional Note Payment Interest Amount (if any);
- (xvi) "**Class E Current Additional Note Payment**" means, prior to the Optional Redemption Date, zero and then on and from the Optional Redemption Date an amount calculated in accordance with Condition 6.4 (*Determination of Rates of Interest, Interest Amounts and Additional Note Payment Amounts*) in respect of the Class E Notes;
- (xvii) "**Class E Unpaid Additional Note Payments**" means, in relation to an Interest Payment Date, any Class E Current Additional Note Payment and any Class E Unpaid Additional Note Payment Interest Amount which has not yet been paid in full on any previous Interest Payment Date and which the Issuer has deferred payment of such amount in accordance with the provisions of Condition 18.1(b);
- (xviii) "**Class E Unpaid Additional Note Payment Interest Amount**" means an amount of interest that shall accrue in respect of the Class E Unpaid Additional Note Payment and calculated in accordance with Condition 6.4 (*Determination of Rates of Interest, Interest Amounts and Additional Note Payment Amounts*);
- (xix) "**Current Additional Note Payments**" means the Class B Current Additional Note Payment, the Class C Current Additional Note Payment, the Class D Current Additional Note Payment and the Class E Current Additional Note Payment, and each a "**Current Additional Note Payment**" as the context so requires;
- (xx) "**Interest Determination Date**" means the first day of the Interest Period for which the rate will apply;

- (xxi) "**Interest Determination Ratio**" means, on any Interest Payment Date, (a) the aggregate Revenue Receipts calculated in the three preceding Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) divided by (b) the aggregate of all Revenue Receipts and all Redemption Receipts calculated in such Servicer Reports;
- (xxii) "**LIBOR**" means the London Interbank Offered Rate for Sterling deposits;
- (xxiii) "**Reconciliation Amount**" means in respect of any Collection Period (a) the actual Redemption Receipts as determined in accordance with the available Servicer Reports, less (b) the Calculated Redemption Receipts in respect of such Collection Period, plus (c) any Reconciliation Amount not applied in previous Collection Periods;
- (xxiv) "**Reference Banks**" means the principal London office of each of the five major banks engaged in the London interbank market selected by the Agent Bank (in consultation with the Issuer), provided that, once a Reference Bank has been selected by the Agent Bank (in consultation with the Issuer), that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
- (xxv) "**Relevant Additional Note Payment Margin**" means:
- (A) in respect of the Class B Notes, 0.825 per cent. per annum;
  - (B) in respect of the Class C Notes, 1.05 per cent. per annum;
  - (C) in respect of the Class D Notes, 1.30 per cent. per annum; and
  - (D) in respect of the Class E Notes, 1.35 per cent. per annum;
- (xxvi) "**Relevant Margin**" means:
- (A) in respect of the Class A Notes, 1.25 per cent. per annum;
  - (B) in respect of the Class B Notes, 1.65 per cent. per annum;
  - (C) in respect of the Class C Notes, 2.10 per cent. per annum;
  - (D) in respect of the Class D Notes, 2.60 per cent. per annum; and
  - (E) in respect of the Class E Notes, 2.70 per cent. per annum;
- (xxvii) "**Relevant Screen Rate**" means, in respect of the Rated Notes, the arithmetic mean of offered quotations for one-month Sterling deposits (or, with respect to the first Interest Period, the rate which represents the linear interpolation of LIBOR for one and three month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01;
- (xxviii) "**Relevant Unpaid Additional Note Payment Margin**" means:
- (A) in respect of the Class B Notes, 0.825 per cent. per annum;
  - (B) in respect of the Class C Notes, 1.05 per cent. per annum;
  - (C) in respect of the Class D Notes, 1.30 per cent. per annum; and



(D) in respect of the Class E Notes, 1.35 per cent. per annum;

(xxix) "**Servicer Report**" means a report to be provided by the Servicer no later than 10.00 a.m. on the second Business Day preceding each Calculation Date in accordance with the terms of the Servicing Agreement and detailing, *inter alia*, the information relating to the Portfolio necessary to produce the Investor Report;

(xxx) "**Step-Up Margin**" means, in respect of the Class A Notes, 1.875 per cent. per annum; and

(xxxi) "**Unpaid Additional Note Payments**" means the Class B Unpaid Additional Note Payments, the Class C Unpaid Additional Note Payments, the Class D Unpaid Additional Note Payments and the Class E Unpaid Additional Note Payments and each an "**Unpaid Additional Note Payment**" as the context so requires.

#### 6.4 **Determination of Rates of Interest, Interest Amounts and Additional Note Payment Amounts**

##### (a) **Rates of Interest**

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on the Interest Determination Date falling in such Interest Period, but in no event later than the third Business Day thereafter, determine the Sterling amount (the "**Interest Amounts**") payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall, in respect of a Class of Rated Notes, be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Class of Rated Notes and 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.

The Interest Amounts shall, in the case of the Class Z Notes and the Subordinated Notes, be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Notes on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

##### (b) **Additional Note Payment 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 of each Additional Note Payment (the "**Additional Note Payment Amounts**") in respect of each of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes for the relevant Interest Period.

For the purposes of determining any Additional Note Payment Amount in accordance with Condition 6.3 (*Rate of Interest and Additional Note Payments*), the following calculations apply:

##### (i) *Current Additional Note Payment*

An amount (rounded downwards to the nearest penny) equal to the product of:

$$A \times B \times (C/D)$$

Where:

A = Relevant Additional Note Payment Margin

B = the Principal Amount Outstanding of the relevant Class of Notes as at the immediately preceding Interest Payment Date (taking into account redemptions (if any) on that Interest Payment Date)

C = the number of days in the relevant Interest Period

D = 365

(ii) *Unpaid Additional Note Payment Interest Amount*

An amount (rounded downwards to the nearest penny) equal to the product of:

$A \times B \times (C/D)$

Where:

A = in respect of any relevant Interest Period, the aggregate of all Unpaid Additional Note Payments of the relevant Class of Notes which remain unpaid by the Issuer on the immediately preceding Interest Payment Date (taking into account any amount paid on that Interest Payment Date)

B = Relevant Unpaid Additional Note Payment Margin

C = the number of days in the relevant Interest Period

D = 365

## 6.5 **Publication of Rates of Interest, Interest Amounts and Additional Note Payment Amounts**

The Agent Bank shall cause the Rate of Interest, the Interest Amounts and the Additional Note Payment Amounts (if any) for each Class of Notes in respect of 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 16 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than three Business Days prior to the immediately succeeding Interest Payment Date. The Interest Amounts, Interest Payment Date and Additional Note Payment Amounts 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.

## 6.6 **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, the Interest Amounts and the Additional Note Payment Amounts (if any) 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, the Interest Amounts and the Additional Note Payment Amounts (if any), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 6.4 (*Determination of Rates of Interest, 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.

#### 6.7 **Notifications 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 6, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or 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, fraud or manifest error) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, 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 6 (*Interest*).

#### 6.8 **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. The Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank and shall, 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 Rate of Interest or the Interest Amounts in respect of any Class of Notes for any Interest Period, 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 pursuant to the terms of the Agency Agreement.

#### 6.9 **Determinations and Reconciliation**

- (a) In the event that the Cash Manager does not receive a Servicer Report with respect to a Collection Period (each such period, a "**Determination Period**"), then the Cash Manager may use the Servicer Report in respect of the three most recent Collection Periods (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in Condition 6.9(b). When the Cash Manager receives the Servicer Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 6.9(c). Any (i) calculations properly made on the basis of such estimates in accordance with Conditions 6.9(b) and/or 6.9(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 6.9(b) and/or 6.9(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 on the Calculation Date immediately following the Determination Period:
  - (i) determine the Interest Determination Ratio (as defined above) by reference to the three most recently received Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) received in the preceding Collection Periods;

- (ii) calculate the Revenue Receipts for such Determination Period as the product of (A) the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**"); and
  - (iii) calculate the Redemption Receipts for such Determination Period as the product of (A) 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Redemption Receipts**").
- (c) Following the end of any Determination Period, upon receipt by the Cash Manager of the Servicer Report in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 6.9(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined above) 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 Redemption 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 Redemption Ledger, as Available Revenue Receipts (with a corresponding debit of the Redemption Ledger),

*provided* that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Redemption 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.

## **7. PAYMENTS**

### **7.1 Payment of Interest, Principal and Additional Note Payments**

Subject to paragraph 2 of Condition 3.1 (*Form and Denomination*), payments of any amount in respect of a Note, including principal, interest and any Additional Note Payment Amount, shall be made by:

- (a) (other than in the case of final redemption) Sterling cheque; or
- (b) (other than in the case of final redemption) upon application by the relevant Noteholder to the specified office of the Principal Paying Agent not later than the 15th 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
- (c) (in the case of final redemption) Sterling cheque 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.

### **7.2 Laws and Regulations**

Payments of any amount in respect of a Note including principal, interest and any Additional Note Payment Amount in respect of the Notes 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. Noteholders will not be charged commissions or expenses on payments.

### 7.3 **Payment of Interest and Additional Note Payments 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 and any Additional Note Payments which continue to accrue in respect of such Note in accordance with Condition 6.1 (*Accrual of interest*) and Condition 6.3 (*Rate of Interest*) will be paid in accordance with this Condition 7. Any Additional Note Payment Amount shall continue to accrue interest (calculated in accordance with Condition 6.3 (*Rate of Interest and Additional Note Payments*)) if payment of principal is improperly withheld or refused in respect of any Note or part thereof and will be deferred and paid in accordance with the provisions of Condition 18.1(b).

### 7.4 **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:

- (a) 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 Ireland or in London; and
- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

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 16 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

### 7.5 **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 and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 7.5, 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.

### 7.6 **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.

### 7.7 **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 7.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 7.1 (*Payment of Interest, 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 in accordance with Condition 16 (*Notice to Noteholders*).

## 8. REDEMPTION

### 8.1 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 Amount Outstanding on the Interest Payment Date falling in April 2049 (the "**Final Maturity Date**").

### 8.2 Mandatory Redemption

- (a) Prior to the service of an Enforcement Notice, each Class of Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Redemption Receipts available for such purpose in accordance with the Pre-Enforcement Redemption Priority of Payments which shall be applied in the following order of priority:
- (i) to repay the Class A Notes until they are each repaid in full; and thereafter be applied
  - (ii) to repay the Class B Notes until they are each repaid in full; and thereafter to be applied
  - (iii) to repay the Class C Notes until they are each repaid in full; and thereafter to be applied
  - (iv) to repay the Class D Notes until they are each repaid in full; and thereafter to be applied
  - (v) to repay the Class E Notes until they are each repaid in full; and thereafter be applied
  - (vi) to repay the Class Z Notes until they are each repaid in full; and thereafter to be applied
  - (vii) to repay the Subordinated Notes until they are each repaid in full.
- (b) The Principal Amount Outstanding of each Class of Notes shall be redeemed on each Interest Payment Date in accordance with the relevant Priority of Payments. The principal amount to be redeemed in respect of a Class of Notes (the "**Note Principal Payment**") on any Interest Payment Date prior to the service of an Enforcement Notice shall be the Available Redemption Receipts on such Interest Payment Date in accordance with the relevant Priority of Payments, as calculated on the Calculation Date immediately preceding such Interest Payment Date, divided by the number of Notes in the relevant Class then outstanding. 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 and (iii) the fraction expressed as a decimal to the sixth decimal point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of the Notes, is the denomination of such Notes. 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 wilful default or manifest error) be final and binding on all persons.
- (c) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and Pool Factor to be notified 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 Irish Stock Exchange and admitted to trading on its Main Securities Market) the Irish Stock Exchange, and will immediately cause notice of each such

determination to be given in accordance with Condition 16 (*Notice to Noteholders*) not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Notes on any Interest Payment Date a notice to this effect will be given to the holders of the Notes.

### 8.3 **Optional Redemption of the Notes in full**

- (a) On giving not more than 30 nor less than 14 days' notice to the holders of the Notes in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, the Issuer may redeem all (but not some only) of the Notes on the immediately succeeding Interest Payment Date, provided that:
- (i) on or prior to the Interest Payment Date on which it is intended for the Notes to be redeemed in full, no Enforcement Notice has been served;
  - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal, interest and any Additional Note Payments due in respect of the Notes on the relevant Interest Payment Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Notes on such 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-Enforcement Redemption Priority of Payments (disregarding, for such purposes, items (g) and (h) of the Pre-Enforcement Redemption Priority of Payments)); and
  - (iii) the date on which it is intended for the Notes to be redeemed in full falls on any Interest Payment Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the Class Z Notes on the Closing Date.
- (b) Any Note redeemed pursuant to Condition 8.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding and any Additional Note Payments accrued (and unpaid) of the relevant Note up to but excluding the date of redemption.

### 8.4 **Mandatory Redemption in full pursuant to a Majority Certificateholder Portfolio Purchase Option**

- (a) On the occurrence of a sale of the Majority Certificateholder Portfolio Purchase Option Loans pursuant to the Majority Certificateholder Portfolio Purchase Option, the consideration received by the Issuer will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments on the Majority Certificateholder Portfolio Purchase Option Date with the result that the Notes will be redeemed in full in accordance with this Condition 8.4.
- (b) Any Note redeemed pursuant to Condition 8.4(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 and any Additional Note Payments accrued (and unpaid) up to and including the Majority Certificateholder Portfolio Purchase Option Date.

### 8.5 **Mandatory Redemption in full pursuant to a Risk Retention Regulatory Change Option**

- (a) On the occurrence of a sale of the Risk Retention Regulatory Change Option Loans pursuant to the Risk Retention Regulatory Change Option, the consideration received by the Issuer will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments on the Risk Retention

Regulatory Change Option Date with the result that the Notes will be redeemed in full in accordance with this Condition 8.5.

- (b) Any Note redeemed pursuant to Condition 8.5(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 and any Additional Note Payments accrued (and unpaid) up to and including the Risk Retention Regulatory Change Option Date.

## 8.6 **Optional Redemption for Taxation or Other Reasons**

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the 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, interest or Additional Note Payments 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; or
- (b) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, it has become or will become unlawful for the Issuer to make, fund or allow to remain outstanding all or any of the Notes,

then the Issuer shall, if the same would avoid the effect of such relevant event described in subparagraph (a), or (b) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange for 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 holders of the Rated Notes (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on (A) any confirmation made orally to the Issuer (in which case the Servicer on behalf of the Issuer shall confirm the same in writing to the Note Trustee) or in writing from each of the Rating Agencies that the then current ratings of the Rated Notes would not be adversely affected by such substitution or (B) if no such confirmation from the Rating Agencies is forthcoming and the Servicer on behalf of the Issuer has certified to the Cash Manager, the Note Trustee and the Security Trustee that such proposed action (i) (while any Rated 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) (while any of the Rated Notes remain outstanding) would not have an adverse effect on the rating of the Rated Notes) (upon which confirmation or certificate the Note Trustee and Security Trustee shall be entitled to rely absolutely without liability to any person for so doing); and
- (ii) such substitution would not require registration of any new security under U.S. securities laws or materially increase the disclosure requirements under U.S. law.



If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in sub-paragraph (a), or (b) above 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 (or, in the case of an event described in sub-paragraph (b) above, such shorter period expiring on or before the latest date permitted by relevant law) to the Note Trustee and holders of the Notes in accordance with Condition 16 (*Notice to Noteholders*), redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with any interest and Additional Note Payments 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) one or more of the circumstances referred to in sub-paragraph (a), or (b) above prevail(s), (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 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 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 each Class of the holders of the Rated Notes.

The Issuer may only redeem the Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption 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.

## 8.7 **Principal Amount Outstanding**

The "**Principal Amount Outstanding**" of each Class of Notes on any date shall be, in each case, their original principal amount, in respect of the Class A Notes of £179,000,000, in respect of the Class B Notes of £21,000,000, in respect of the Class C Notes of £21,000,000, in respect of the Class D Notes of £18,000,000, in respect of the Class E Notes of £21,000,000, in respect of the Class Z Notes of £5,469,000 and in respect of the Subordinated Notes of £8,204,000, in each case less the aggregate amount of all principal payments in respect of such Class of Notes which have been made since the Closing Date.

## 8.8 **Notice of Redemption**

Any such notice as is referred to in Condition 8.3 (*Optional Redemption of the Notes in full*) or Condition 8.6 (*Optional Redemption for Taxation or Other Reasons*) above 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.

## 8.9 **No Purchase by the Issuer**

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

## 8.10 **Cancellation on redemption in full**

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

## 9. **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, all present and future taxes, levies, imposts, duties, fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, value added tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 8.6 (*Optional Redemption for Taxation or Other Reasons*), 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 Noteholders in respect of such withholding or deduction.

## 10. **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 10, 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 16 (*Notice to Noteholders*).

## 11. **EVENTS OF DEFAULT**

### 11.1 **Notes**

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a notice (an "**Enforcement Notice**") to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued (but unpaid) interest as provided in the Trust Deed (with a copy of such Enforcement Notice being sent simultaneously to the Security Trustee, the Legal Title Holder, the Servicer, the Issuer Account Bank and the Cash Manager), if any of the following events (each, an "**Event of Default**") occur:

- (a) subject to Condition 18 (*Subordination by Deferral*), if default is made in the payment of any principal or interest (but not any Additional Note Payment Amount) due in respect of

the Most Senior Class of Notes and the default continues for: (i) a period of ten days in the case of principal, or (ii) five 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 the failure continues for a period of 15 days (or such longer period as the Note Trustee may permit) (except that in any case where the Note Trustee considers the failure to be incapable of remedy, then no continuation or notice as is aforementioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any representation or warranty made by the Issuer under any Transaction Document is incorrect when made and the matters giving rise to such misrepresentation are not remedied within a period of 15 days (or such longer period as the Note Trustee may permit) (except that in any case where the Note Trustee considers the matters giving rise to such misrepresentation to be incapable of remedy, then no continuation or notice as is hereinafter mentioned will be required) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (d) 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 Noteholders; or
- (e) if (i) 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 Noteholders, or (ii) 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 (iii) the Issuer 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
- (f) if proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with the court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order), unless initiated by the Issuer, is not discharged within 30 days; or
- (g) 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).

## 11.2 **General**

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Condition 11.1 (*Notes*), all the Notes then outstanding shall thereby immediately become due and repayable at their

respective Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed.

## **12. ENFORCEMENT**

### **12.1 General**

The Note Trustee may, at any time, at its discretion and without notice and in such manner as it thinks fit, take such proceedings, actions and/or steps, or direct the Security Trustee to take such proceedings, actions and/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 (in the case of the Note Trustee) the Notes, the Residual Certificates or the Trust Deed (including these Conditions or the Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of an Enforcement Notice, the Note Trustee may, at its discretion and without notice, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) the Note Trustee shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding 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; and
- (b) in all cases, it shall have been indemnified and/or prefunded and/or secured to its satisfaction.

No Noteholder 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.

### **12.2 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 Assets 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 holders of the Notes (and all persons ranking in priority to the holders of the Notes), 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: (i) to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the order of priority set out in the Post-Enforcement Priority of Payments); and (ii) once all the Noteholders (and all such higher ranking persons) have been repaid, to the remaining Secured Creditors (other than the Certificateholders) in the order of priority set out in the Post-Enforcement Priority of Payments; and (iii) once all the Noteholders and the Secured Creditors (other than the Certificateholders) have been repaid, to the Certificateholders. The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to in this Condition 12.2 without further enquiry and shall incur no liability to any person for so doing.

### 12.3 **Limitations on Enforcement**

No Noteholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents to enforce the performance of any of the Conditions or any of the provisions of the Transaction Documents and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer unless the Note Trustee or, as the case may be, the Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, provided that no Noteholder shall be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.

### 12.4 **Limited Recourse**

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

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and
- (c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes,

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain due or to be paid in respect of the Notes (including, for the avoidance of doubt, payments of principal, premium (if any) or interest in respect of the Notes) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Notes and any further payment rights shall be extinguished.

## 13. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

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

13.2 For the purposes of these Conditions, "**Most Senior Class of Notes**" means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes then outstanding, the Class E Notes or, if there are no Rated Notes then outstanding, the Class Z Notes or, if there are no Rated Notes and no Class Z Notes then outstanding, the Subordinated Notes.

### 13.3 **Most Senior Class of Notes, Limitations on other Noteholders**

- (a) Subject as provided in Conditions 13.3(b) and 13.3(c):
- (i) subject to Conditions 13.3(a)(ii) and (iii), a resolution passed at any meeting of the holders of the Most Senior Class of Notes shall be binding on such Noteholders and all other Classes of Noteholders and the Residual Certificates irrespective of the effect upon them;
  - (ii) subject to Condition 13.3(a)(iii), a resolution passed at any meeting of a relevant Class of Noteholders shall be binding on (i) such Noteholders and all other Classes of Noteholders ranking junior to such Class of Noteholders in the Pre-Enforcement Redemption Priority of Payments (disregarding items (g) and (h) of the Pre-Enforcement Redemption Priority of Payments) in each case and (ii) the Residual Certificates, in each case irrespective of the effect it has upon them; and
  - (iii) no resolution of any Class of Noteholders shall take effect for any purpose while any of the Most Senior Class of Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes and in the case of the Residual Certificates all Notes ranking in priority thereto or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes and in the case of the Residual Certificates all Notes ranking in priority thereto.
- (b) Subject as provided in Condition 13.3(c), a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution in writing or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.
- (c) No Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue which are affected by such Basic Terms Modification, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and/or the holders of the Residual Certificates (if applicable).

### 13.4 **Quorum**

- (a) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (b) 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 holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (c) 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 Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of 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, or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) 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, or of the method of calculating the amounts payable in respect of the Residual Certificates (including, in relation to any Class of Notes or Residual Certificates, if any such modification is proposed for any Class of Notes ranking senior to such Class or the Residual Certificates in the Priorities of Payments), (iv) 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 this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) sanction a material modification to Residual Certificates Condition 8 (Majority Certificateholder Portfolio Purchase Option) (viii) any change to the definition of a Basic Terms Modification, or (ix) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**") shall be one or more persons holding or representing in the aggregate not less than (i) three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) three-quarters of the Residual Certificates then in issue. Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant affected Class of Noteholders and (if affected) the Certificateholders in accordance with the Residual Certificates Conditions.

- (d) The quorum at any adjourned meeting shall be:
- (i) for an Ordinary Resolution, one or more persons present and holding or representing not less than ten per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding;
  - (ii) (other than in relation to a Basic Terms Modification) for an Extraordinary Resolution shall be one or more persons present and holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding; and
  - (iii) (in respect of a Basic Terms Modification) one or more persons present and holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding or of the Residual Certificates then in issue.

The terms of the Trust Deed and the Deed of Charge provide for the Noteholders to give directions in writing to the Note Trustee upon which the Note Trustee is bound to act.

13.5 The Note Trustee may at any time and from time to time, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors agree with the Issuer and any other parties and may direct the Security Trustee to agree with the Issuer and any other parties in making or sanctioning any modification:

- (a) to these Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee, will not be materially prejudicial to the interests of the Noteholders (or, if there are no Notes outstanding, the interests of the Certificateholders); or

- (b) to these 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.

13.6 Notwithstanding the provisions of Condition 13.5, the Note Trustee shall be obliged and shall direct the Security Trustee, without any consent or sanction of the Noteholders or the other Secured Creditors, but subject to the receipt of written consent from any of the Secured Creditors party to the Transaction Document being modified (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document), to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Conditions and/or any Transaction Document that the Issuer considers necessary:

- (a) for the purposes of enabling the Issuer or any Transaction Party to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer or the relevant Transaction Party, as applicable, certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) 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; and
- (b) for the purposes of appointing a Designated Reporting Entity as required to comply with the CRA Regulation after the Closing Date, provided that the Issuer certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) 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,

(the certificate to be provided by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Conditions 13.6(a) and 13.6(b) above being a "**Modification Certificate**"). The Note Trustee is only obliged to concur with the Issuer in making any modification referred to in Conditions 13.6(a) and 13.6(b) above (other than in respect of a Basic Terms Modification) to these Conditions and/or any Transaction Document provided that:

- (A) other than in the case of a modification pursuant to Condition 13.6(b) above which relates to the appointment of a Designated Reporting Entity, at least 30 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 are notified of the proposed modification and on the date that such modification takes effect;
- (C) the written consent of each Secured Creditor which is party to the relevant Transaction Document has been obtained (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document);
- (D) the Note Trustee is satisfied that it has been or will be reimbursed all costs, fees and expenses (including reasonable and properly incurred legal fees) incurred by it in connection with such modification;
- (E) other than in the case of a modification pursuant to Condition 13.6(b) above which relates to the appointment of a Designated Reporting Entity, the Issuer either:



- I. obtains from each of the Rating Agencies a Rating Agency Confirmation; or
  - II. 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 a downgrade, qualification or withdrawal of the then current ratings assigned to any Class of the Notes by such Rating Agency; and
- (F) other than in the case of a modification pursuant to Condition 13.6(b) above which relates to the appointment of a Designated Reporting Entity, the Issuer certifies (upon which certification the Note Trustee and the Security Trustee shall rely absolutely and without further enquiry or liability) in writing to the Note Trustee (which certification may be in the Modification Certificate) that in relation to such modification (I) the Issuer has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes, in each case specifying the date and time by which Noteholders must respond, and has made available at such time the modification documents for inspection at the registered office of the Note Trustee for the time being during normal business hours, and (II) 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 Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent 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 have notified the Issuer in accordance with the notice provided above and the then current practice of any applicable clearing system through which such Notes may be held within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless 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 13 (*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.

13.7 When implementing any modification pursuant to Condition 13.6:

- (a) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification) the Note Trustee shall not consider the interests of the Noteholders, 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 Condition 13.6 and shall not be liable to the Noteholders, 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
- (b) neither the Note Trustee nor the Security Trustee shall 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 (i) 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 (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions.

- 13.8 The Note Trustee may, and may direct the Security Trustee to, without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any further or other breach, from time to time and at any 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 Noteholders (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced thereby, authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions, the Residual Certificates Conditions or any of the Transaction Documents by any party thereto, provided that the Note Trustee shall not exercise any powers conferred on it by this Condition 13.8 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes or by a direction under Condition 11 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.
- 13.9 Any such modification, waiver, authorisation or determination by the Note Trustee, in accordance with these Conditions, Residual Certificates Conditions or Transaction Documents 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 as soon as practicable thereafter in accordance with Condition 16 (*Notice to Noteholders*).
- 13.10 Any modification to the Transaction Documents and the Conditions shall be notified by the Issuer in writing to the Rating Agencies.
- 13.11 In connection with any such substitution of principal debtor referred to in Condition 8.6 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee may also agree, and may direct the Security Trustee to agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.
- 13.12 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 orally 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 ratings of the Rated Notes.
- 13.13 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 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, it shall (A) have regard to the general interests of the Noteholders of such Class or Classes but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual

Noteholders and (B) subject to the more detailed provisions of the Trust Deed and the Deed of Charge, as applicable, have regard to the interests of holders of each Class of Notes (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee where there is a conflict of interests between one or more Classes of Notes and/or the Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class or Classes of Notes ranking in priority to the other relevant Classes of Notes.

13.14 Other than in respect of any matter requiring an Extraordinary Resolution, Noteholders are required to vote by way of an Ordinary Resolution.

13.15 "**Ordinary Resolution**" means, in respect of the holders of any of the Classes of Notes:

- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by not less than a clear majority of the Eligible Persons 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;
- (b) 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 of the relevant Class; or
- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) 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.

13.16 "**Extraordinary Resolution**" means, in respect of the holders of any of the Classes of Notes:

- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than three-quarters of Eligible Persons 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;
- (b) 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 of the relevant Class; or
- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes.

13.17 "**Eligible Person**" means any one of the following persons who shall be entitled to attend and vote at a meeting:

- (a) a bearer of any Voting Certificate; and
- (b) a proxy specified in any Block Voting Instruction.

13.18 "**Voting Certificate**" means an English language certificate issued by a Paying Agent in which it is stated:

- (a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:
  - (i) the conclusion of the meeting specified in such Voting Certificate; and
  - (ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and
- (b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.

13.19 "**Block Voting Instruction**" means an English language document issued by a Paying Agent in which:

- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
  - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
  - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
- (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
- (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:
  - (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and

- (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

13.20 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Issuer.

**13.21 Issuer Substitution Condition**

The Note Trustee may agree, 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, 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 5 (*Covenants*) (the "**Issuer Substitution Condition**"). In the case of a substitution pursuant to this Condition 13.21, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes 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.

**14. 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.

**15. REPLACEMENT OF NOTES**

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange requirements. 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.

## 16. NOTICE TO NOTEHOLDERS

### 16.1 Publication of Notice

- (a) Subject to Condition 16.1(d), 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) paragraph (c) below 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 notice. 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) While 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.
- (d) So long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange.

### 16.2 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.

## 17. REPLACEMENT NOTES

If the Issuer Substitution Condition is satisfied in accordance with these Terms and Conditions and the Trust Deed, the Issuer may, without the consent of the Noteholders, issue one or more classes of replacement notes ("**Replacement Notes**") to replace one or more Classes of 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.

## 18. SUBORDINATION BY DEFERRAL

### 18.1 Interest and Additional Note Payment Amounts

- (a) If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 18, include any interest previously deferred under this Condition 18.1 and accrued interest thereon) payable in respect of the Notes other than the Most Senior Class of Notes after having paid or provided for items of higher priority in the Pre-Enforcement 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 Notes other than the Most Senior Class of Notes to the extent only of any insufficiency of funds.
- (b) If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts in respect of Additional Note Payment Amounts, (including interest (if any) accrued but unpaid and/or deferred pursuant to this Condition 18.1(b) and accrued interest thereon) payable in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall defer payment of the relevant Additional Note Payment Amount (including interest calculated in accordance with Condition 6.4(b)(ii)) until the next Interest Payment Date.

### 18.2 General

Any amounts of Deferred Interest in respect of a 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 18.1 (*Interest*) applies) or on such earlier date as the relevant Class of Notes becomes due and repayable in full in accordance with these Conditions.

### 18.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on a Class of Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 18, the Issuer will give notice thereof to the relevant Class of Noteholders, as appropriate, in accordance with Condition 16 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 18 will not constitute an Event of Default. The provisions of this Condition 18 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or, are required to be redeemed in full, at which time all deferred interest and accrued interest thereon shall become due and payable.

## 19. 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 Rated Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account 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 Rated Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Rating Agency Confirmation**").
- (b) If a Rating Agency 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 Rating Agency Confirmation

or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and the Security Trustee, as applicable) and:

- (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and
- (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by a director certifying and confirming that each of the events in paragraphs (i)(A) or (B) and (ii) above has occurred.

## **20. JURISDICTION AND GOVERNING LAW**

- (a) The Courts of England (the "**Courts**") are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Residual Certificates and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes, the Residual Certificates or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Residual Certificates and/or the Transaction Documents may be brought in such Courts.
- (b) The Transaction Documents, the Notes, the Residual Certificates 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 except that, to the extent that the provisions of the Mortgage Sale Agreement, the Deed of Charge and any security documents supplemental thereto relate to the Scottish Loans or the Northern Irish Loans, such provisions and documents shall be governed by Scots law or Northern Irish law, as applicable.

## **21. 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 in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below)*

### 1. GENERAL

The 100 residual certificates (the "**Residual Certificates**") of Aggregator of Loans Backed by Assets 2015-1 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on 23 April 2015 (the "**Closing Date**") and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the registered holders for the time being of the Residual Certificates (the "**Certificateholders**") (the "**Note Trustee**"). Any reference in these residual certificates terms and conditions (the "**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, the Class Z Notes or the Subordinated Notes, as the case may be, or to the respective holders thereof. 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 Citicorp Trustee Company Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to 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 a 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).

Physical 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.

### 2. INTERPRETATION

#### 2.1 Definitions

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.

#### 2.2 Interpretation

These Residual Certificates Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

### 3. FORM AND TITLE

#### 3.1 Form and Denomination

Each Residual Certificate will initially be represented by a global residual certificate in registered form (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, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate. The 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 in definitive registered form, the "**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 or to cease to make their book-entry systems available for settlement of beneficial interests in the Global Residual Certificate and do in fact do either of those things,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 become 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.

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 Certificate and the Definitive Residual Certificates.

#### 3.2 Title

Title to the Global Residual Certificate 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).

Title to Definitive Residual Certificates shall only pass by and upon registration of the transfer in the Register.

Definitive Residual Certificates may be transferred upon the surrender of the relevant 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 Definitive Residual Certificates are subject to any restrictions on transfer set out on the Definitive Residual Certificates and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Residual Certificate to be issued upon transfer of such Definitive Residual Certificate will, within five Business Days of receipt and surrender of such 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 Definitive Residual Certificate to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Residual Certificate on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

#### **4. STATUS AND SECURITY**

##### **4.1 Status of the Residual Certificates**

The Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 12.3 (*Limited Recourse*)) unconditional obligations of the Issuer, and represent the Issuer's obligation to pay deferred consideration for its purchase of the Portfolio, consisting of the Residual Payments. The Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payments on the Residual Certificates. Residual Payments will be made subject to and in accordance with the Pre-Enforcement Revenue Priority of Payments, Pre-Enforcement Redemption Priority of Payments and Post-Enforcement Priority of Payments.

The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Certificateholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard (except as expressly provided otherwise) to the interests of the Noteholders for so long as there are any Notes outstanding.

##### **4.2 Security**

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.

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.

## 5. ISSUER COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of these Residual Certificates Conditions or 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 and Beneficial 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 applicable Priority 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 Issuer Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **Purchase Residual Certificates:** purchase or otherwise acquire any Residual Certificates;  
or

- (k) **U.S. 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.

## 6. RESIDUAL PAYMENTS

### 6.1 Right to Residual Payments

Each Residual Certificate represents a *pro rata* entitlement to receive Residual Payments by way of deferred consideration for the purchase by the Issuer of the Portfolio.

### 6.2 Payment

A Residual Payment may be payable in respect of the Residual Certificates on each Interest Payment Date, other than an Interest Payment Date falling within a Determination Period and each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments.

- (a) **"Determination Period"** has the meaning set out in Condition 6.9 (*Determinations and Reconciliation*).
- (b) **"Interest Payment Date"** means each date determined as an Interest Payment Date in accordance with the Conditions of the Notes.
- (c) **"Residual Payment"** means:
  - (i) prior to the delivery of an Enforcement Notice, in respect of each Interest Payment Date, the sum of:
    - (A) the amount (if any) by which Available Revenue Receipts exceeds the amounts required to satisfy items (a) to (y) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date;
    - (B) the amount (if any) by which Available Redemption Receipts exceeds the amounts required to satisfy items (a) to (j) of the Pre-Enforcement Redemption Priority of Payments on that Interest Payment Date; and
    - (C) on any Interest Payment Date on which the Majority Certificateholder Portfolio Purchase Option is exercised, any Revenue Receipts or Redemption Receipts received by the Issuer from but excluding the Cut-Off Date immediately prior to such Interest Payment Date on which the Majority Certificateholder Portfolio Purchase Option is exercised to and including such Interest Payment Date;
    - (D) on any Interest Payment Date on which the Risk Retention Regulatory Change Option is exercised, any Revenue Receipts or Redemption Receipts received by the Issuer from but excluding the Cut-Off Date immediately prior to the Risk Retention Regulatory Change Option Date to and including the Risk Retention Regulatory Change Option Date; and
  - (ii) following the delivery of an Enforcement Notice, in respect of each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments, the amount by which amounts available for payment in accordance with

the Post-Enforcement Priority of Payments exceeds the amounts required to satisfy items (a) to (o) of the Post-Enforcement Priority of Payments on that date.

- (d) "**Residual Payment Amount**" means, for a Residual Certificate on any date on which amounts are to be applied in accordance with the applicable Priority of Payments, the Residual Payment for that date, divided by the number of Residual Certificates then in issue.

### 6.3 **Determination of Residual Payment**

The Cash Manager shall on each Calculation Date determine the Residual Payment payable on the immediately following Interest Payment Date and the Residual Payment Amount payable in respect of each Residual Certificate on such Interest Payment Date.

### 6.4 **Publication of Residual Payment and Residual Payment Amount**

The Cash Manager shall cause the Residual Payment and Residual Payment Amount (if any) for 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 be published in accordance with Residual Certificates Condition 16 (*Notice to Certificateholders*) as soon as possible after their determination and in no event later than two Business Days prior to the immediately succeeding Interest Payment Date.

### 6.5 **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 Payment and Residual Payment Amount (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 Payment and Residual Payment Amount (if any), in the manner provided in this Residual Certificates Condition 6.5. Any such determination shall be deemed to be a determination made by the Cash Manager.

### 6.6 **Notifications 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 6.6, whether by the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or 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, fraud or manifest error) 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 6.6.

### 6.7 **Termination of Payments**

Following the redemption in full of the Notes, the realisation of the Charged Assets and payment of the proceeds of realisation in accordance with the applicable Priority of Payments, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be redeemed and cancelled.

## **7. PAYMENTS**

### **7.1 Payment of Residual Payment Amounts**

Subject to paragraph 2 of Residual Certificates Condition 3.1 (*Form and Denomination*), payments of Residual Payment Amounts shall be made by:

- (a) (other than in the case of final cancellation) Sterling cheque; or
- (b) (other than in the case of final cancellation) upon application by the relevant Certificateholder to the specified office of the Principal Paying Agent not later than the 15th 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
- (c) (in the case of final cancellation) Sterling cheque upon surrender (or, in the case of part-payment only, endorsement) of the relevant Global Residual Certificate or Definitive Residual Certificate (as the case may be) at the specified office of any Paying Agent.

### **7.2 Laws and Regulations**

Payments of any 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.

### **7.3 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:

- (a) 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 Ireland or in London; and
- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

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 16 (*Notice to Certificateholders*) and will notify the Rating Agencies of such change or addition.

### **7.4 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 and shall not be entitled to interest or other payment in respect of such delay. In this Residual

Certificates Condition 7.4, 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.

## 8. MAJORITY CERTIFICATEHOLDER PORTFOLIO PURCHASE OPTION

- (a) The Majority Certificateholder may, by delivering a Majority Certificateholder Portfolio Purchase Option Exercise Notice to the Issuer with a copy to the Note Trustee, the Security Trustee, the Noteholders, the Certificateholders, the Seller, the Servicer, the Legal Title Holder and the Rating Agencies at any time for effect on any Interest Payment Date falling on or after the Optional Redemption Date, offer to purchase, and the Issuer shall accept such offer to purchase, all (but not some) of the Loans and Related Security in the Portfolio at the Majority Certificateholder Portfolio Purchase Option Purchase Price on any Interest Payment Date falling on or after the Optional Redemption Date (the "**Majority Certificateholder Portfolio Purchase Option**"). Such notice shall be given not more than 15 nor less than 5 Business Days prior to such Interest Payment Date.
- (b) Upon the exercise of the option set out in Condition 8(a) above, the Issuer shall:
- (i) sell and transfer to the Majority Certificateholder or its nominee (specified as such in the Majority Certificateholder Portfolio Purchase Option Exercise Notice) the beneficial title to all Loans and Related Security in the Portfolio (the "**Majority Certificateholder Portfolio Purchase Option Loans**");
  - (ii) transfer to the Majority Certificateholder the right to have legal title to the Majority Certificateholder Portfolio Purchase Option Loans and their Related Security; and
  - (iii) direct that the Legal Title Holder transfers legal title to the Majority Certificateholder Portfolio Purchase Option Loans to the Majority Certificateholder or its nominee (specified as such in the Majority Certificateholder Portfolio Purchase Option Exercise Notice) in accordance with and subject to the terms of the Servicing Agreement on the Majority Certificateholder Portfolio Purchase Option Date.
- (c) Where the sale to the Majority Certificateholder does not contemplate a transfer of the legal title to the Majority Certificateholder Portfolio Purchase Option Loans, the exercise of the Majority Certificateholder Portfolio Purchase Option shall be conditional on the consent of the Legal Title Holder to hold legal title on behalf of the Majority Certificateholder or its nominee.
- (d) It will be a condition of the exercise of the Majority Certificateholder Portfolio Purchase Option that (a) either (i) each of the purchasers of the legal (if applicable) and beneficial title in the Majority Certificateholder Portfolio Purchase Option Loans confirms in writing that it is resident for tax purposes in the United Kingdom, or (ii) the Issuer, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it, 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) ("**Tax Advice**"), is satisfied that sale of legal (if applicable) and beneficial title in the relevant Loans will not expose the Issuer 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 and (b) the Issuer has obtained Tax Advice and as a result is satisfied that any such sale will not result in any materially adverse tax consequences for the Issuer and/or the Issuer's ability to repay the Notes in full. The costs relating to such Tax Advice shall be borne by the Majority Certificateholder.
- (e) The Majority Certificateholder or its nominee will be required to deposit the full amount of the Majority Certificateholder Portfolio Purchase Option Purchase Price in the Issuer Account or such other account agreed with the Issuer and the Security Trustee on or prior to the day falling two Business Days immediately preceding the proposed Majority Certificateholder Portfolio Purchase



Option Date or take such other action agreed with the Issuer and the Security Trustee. The full amount of the Majority Certificateholder Portfolio Purchase Option Purchase Price will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments on the Majority Certificateholder Portfolio Purchase Option Date.

- (f) On the date of completion of any sale of the Majority Certificateholder Portfolio Purchase Option Loans in accordance with this Residual Certificates Condition 8, the Security Trustee shall be deemed to give its consent to such repurchase and release of the Majority Certificateholder Portfolio Purchase Option Loans from the Security if the Security Trustee receives written confirmation from an authorised signatory of each of the Issuer and the Majority Certificateholder that the repurchase has been made in accordance with this Residual Certificates Condition 8 and the Majority Certificateholder Portfolio Purchase Option Purchase Price has been paid into the Issuer Account or such other account agreed with the Issuer and the Security Trustee in accordance with Condition 8(e) above.
- (g) The purchase price for the Portfolio under the Majority Certificateholder Portfolio Purchase Option shall be an amount (the "**Majority Certificateholder Portfolio Purchase Option Purchase Price**") equal to:
  - (i) the amount required by the Issuer to pay in full all amounts payable under items (a) to (u) (inclusive) of the Pre-Enforcement Revenue Priority of Payments and items (a) to (j) of the Pre-Enforcement Redemption Priority of Payments to effect a redemption of the Notes in full, in each case on the proposed Majority Certificateholder Portfolio Purchase Option Date; *plus*
  - (ii) the Issuer's costs and expenses associated with transferring its interests in the Majority Certificateholder Portfolio Purchase Option Loans and their Related Security to the Majority Certificateholder or its nominee (if any); *less*
  - (iii) the balance standing to the credit of the Reserve Fund (calculated as at the proposed Majority Certificateholder Portfolio Purchase Option Date after first having applied the amount standing to the credit of the Reserve Fund to meet any Revenue Deficit on the Final Redemption Date (subject to the satisfaction of the Reserve Fund Conditions)).

## 9. 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, all present and future taxes, levies, imports, duties, fees, deductions, withholding or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, value added tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon ("**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.

## 10. PRESCRIPTION

Claims in respect of Residual Payment Amounts will be prescribed after ten years from the Relevant Date in respect of the relevant payment.

In this Residual Certificates Condition 10, 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 16 (*Notice to Certificateholders*).

## **11. EVENTS OF DEFAULT**

### **11.1 Residual Certificates**

The Note Trustee at its absolute discretion may, and, provided all of the Notes have been redeemed in full, if so directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number or if so directed by an Extraordinary Resolution of the Certificateholders shall (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed), give a notice (an "**Enforcement Notice**") to the Issuer that any Residual Payments pursuant to the Residual Certificates are immediately due and payable in any of the following events (each, an "**Event of Default**") with a copy of such Enforcement Notice being sent simultaneously to the Security Trustee, the Legal Title Holder, the Servicer, the Issuer Account Bank and the Cash Manager:

- (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 five days from the due date for payment; 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 the failure continues for a period of 30 days (following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied (or such longer period as the Note Trustee may permit)), except in any case where the Note Trustee considers the failure to be incapable of remedy, in which case no continuation or notice as is aforementioned will be required; 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 Certificateholders; or
- (d) if (i) 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 Certificateholders, or (ii) 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 (iii) the Issuer 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 proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the Issuer, is not discharged or 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).

## 11.2 **General**

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Residual Certificates Condition 11.1 (*Residual Certificates*), any Residual Payments pursuant to the Residual Certificates shall thereby immediately become due and payable.

## 12. **ENFORCEMENT**

### 12.1 **General**

The Note Trustee may, at any time, at its discretion and without notice and in such manner as it thinks fit, take such proceedings, actions and/or steps or direct the Security Trustee to take such proceedings, actions and/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 (in the case of the Note Trustee) the Residual Certificates or the Trust Deed (including these Residual Certificates Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of an Enforcement Notice, the Note Trustee may, at its discretion and without notice, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless, following redemption of the Notes in full:

- (a) the Note Trustee shall have been so directed by an Extraordinary Resolution of the Certificateholders or directed in writing by the holders of at least 25 per cent. of the Residual Certificates in number; and
- (b) in all cases, it shall have been indemnified and/or prefunded and/or secured to its 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.

### 12.2 **Limitations on Enforcement**

No Certificateholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents to enforce the performance of any of the Residual Certificates Conditions or any of the provisions of the Transaction Documents and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer unless the Note Trustee or, as the case may be, the Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, provided that no Certificateholder shall be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.

### 12.3 **Limited Recourse**

Notwithstanding any other Residual Certificates Condition or any provision of any Transaction Document, all obligations of the Issuer to the Certificateholders are limited in recourse to the

property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the "**Charged Assets**"). If:

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and
- (c) there are insufficient amounts available from the Charged Assets to pay, in accordance with the provisions of the Deed of Charge, any further amounts under the Residual Certificates (including payments of Residual Payment Amounts),

then the Certificateholders shall have no further claim against the Issuer in respect of any further amounts due or to be paid in respect of the Residual Certificates (including, for the avoidance of doubt, payments of Residual Payment Amounts in respect of the Residual Certificates) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Residual Certificates and any further payment rights shall be extinguished.

### **13. MEETINGS OF CERTIFICATEHOLDERS AND NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

13.1 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 to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Residual Certificates Conditions, the Conditions or the provisions of any of the Transaction Documents.

13.2 For the purposes of these Residual Certificates Conditions, "**Most Senior Class of Notes**" means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding, the Class E Notes or, if there are no Rated Notes then outstanding, the Class Z Notes or, if there are no Rated Notes and no Class Z Notes then outstanding, the Subordinated Notes.

#### **13.3 Most Senior Class of Notes, Limitations on other Noteholders and Certificateholders**

- (a) Subject as provided in Residual Certificate Conditions 13.3(b) and 13.3(c):
  - (i) subject to Residual Certificates Conditions 13.3(a)(ii) and (iii), a resolution passed at any meeting of the holders of the Most Senior Class of Notes shall be binding on all other Classes of Noteholders and the Residual Certificates irrespective of the effect it has upon them;
  - (ii) subject to Residual Certificates Condition 13.3(a)(iii), a 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 Pre-Enforcement Redemption Priority of Payments (disregarding items (g) and (h) of the Pre-Enforcement Redemption Priority of Payments) in each case and (ii) the Residual Certificates, in each case irrespective of the effect it has upon them; and
  - (iii) no resolution of any 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 an Extraordinary Resolution of the holders of the Most Senior Class of Notes or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes.

- (b) Subject as provided in Residual Certificates Conditions 13.3(c), a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of Notes of only one Class or the Residual Certificates only, shall be deemed to have been duly passed if passed at a separate meeting (or by a separate resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of that Class of Notes so affected or the Residual Certificates.
- (c) No Extraordinary Resolution of the holders of a Class or Classes of Notes or the Residual Certificates which would have the effect of sanctioning a Basic Terms Modification in respect of any Class of Notes or Residual Certificates shall take effect unless it has been sanctioned by an Extraordinary Resolution of the holders of each affected Class of Notes then outstanding and/or the holders of the Residual Certificates then in issue which are affected by such Basic Terms Modification, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the holders of those affected Class or Classes of Notes then outstanding and the holders of the Residual Certificates (if applicable).

#### 13.4 **Quorum**

- (a) Subject as provided below, the quorum at any meeting of Certificateholders for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the Residual Certificates then in issue.
- (b) Subject as provided below, the quorum at any meeting of Certificateholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the Residual Certificates then in issue.
- (c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of the 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 or of the method of calculating the date of payment in respect of the Residual Certificates, (iii) 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 or of the method of calculating the amounts payable in respect of the Residual Certificates (including, if any such modification is proposed for any Class of Notes), (iv) 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 this exception, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) sanction a material modification to Residual Certificates Condition 8 (*Majority Certificateholder Portfolio Purchase Option*), (viii) any change to the definition of Basic Terms Modification, or (ix) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**"), shall be one or more persons holding or representing in the aggregate not less than (i) three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) three-quarters of the Residual Certificates then in issue. Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant affected Class of Noteholders and (if affected) by a meeting of the Certificateholders.
- (d) The quorum at any adjourned meeting shall be:

- (i) for an Ordinary Resolution, one or more persons present and holding or representing not less than ten per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding or Residual Certificates then in issue;
- (ii) (other than in relation to a Basic Terms Modification) for an Extraordinary Resolution shall be one or more persons present and holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the Notes of such Class then outstanding or any of the Residual Certificates then in issue; and
- (iii) (in respect of a Basic Terms Modification) one or more persons present and holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding or of the Residual Certificates then in issue.

13.5 The Note Trustee may at any time and from time to time, only with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors agree with the Issuer and any other parties and may direct the Security Trustee to agree with the Issuer and any other parties in making or sanctioning any modification:

- (a) to these Residual Certificate Conditions, the Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee will not be materially prejudicial to the interests of the Noteholders (or if there are no Notes outstanding, the interests of the Certificateholders); or
- (b) to these Residual Certificate Conditions, the 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.

13.6 The Note Trustee may, and may direct the Security Trustee to, without the consent or sanction of the Noteholders, the Certificateholders or the other Secured Creditors and without prejudice to its rights in respect of any further or other breach, from time to time and at any 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 Noteholders (or, if there are no Notes outstanding, the Certificateholders) will not be materially prejudiced thereby, authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions, the Residual Certificates Conditions or any of the Transaction Documents by any party thereto, provided that the Note Trustee shall not exercise any powers conferred on it by this Residual Certificates Condition 13.6 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Notes or by a direction under Residual Certificates Condition 11 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

13.7 Any such modification, waiver, authorisation or determination by the Note Trustee, in accordance with the Conditions, these Residual Certificates Conditions or the Transaction Documents shall be binding on 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 Certificateholders as soon as practicable thereafter in accordance with Residual Certificates Condition 16 (*Notice to Certificateholders*).

13.8 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.

- 13.9 In connection with any such substitution of principal debtor referred to in Condition 8.6 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Certificateholders or the other Secured Creditors, to a change of the laws governing the Residual Certificates, these Residual Certificates Conditions and/or any of the Transaction Documents, 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 Certificateholders or the other Secured Creditors.
- 13.10 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 Residual Certificates Conditions or any of the Transaction Documents (including 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.
- 13.11 Other than in respect of any matter requiring an Extraordinary Resolution, Certificateholders are required to vote by way of an Ordinary Resolution.
- 13.12 "**Ordinary Resolution**" means:
- (a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by not less than a clear majority of the Eligible Persons 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;
  - (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than a clear majority in number of the Residual Certificates then in issue, 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; or
  - (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Certificateholders of not less than a clear majority in number of the Residual Certificates then in issue.
- 13.13 "**Extraordinary Resolution**" means:
- (a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by a majority consisting of not less than three-quarters of the Eligible Persons 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;
  - (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than three-quarters in number of the holders of the Residual Certificates, 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; or

- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Certificateholders of not less than three-quarters in number of the holders of the Residual Certificates then in issue.

13.14 "**Eligible Person**" means any one of the following persons who shall be entitled to attend and vote at a meeting:

- (a) a bearer of any Voting Certificate; and
- (b) a proxy specified in any Block Voting Instruction.

13.15 "**Voting Certificate**" means an English language certificate issued by a Paying Agent in which it is stated:

- (a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:
  - (i) the conclusion of the meeting specified in such Voting Certificate; and
  - (ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and
- (b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.

13.16 "**Block Voting Instruction**" means an English language document issued by a Paying Agent in which:

- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
  - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
  - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
- (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;



- (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:
  - (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
  - (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

13.17 Details of any Extraordinary Resolution and any Ordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to each of the Rating Agencies by the Issuer.

**13.18 Issuer Substitution Condition**

The Note Trustee may agree, subject to such amendment of 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 Certificateholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed, 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 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 5 (*Issuer Covenants*) (the "**Issuer Substitution Condition**"). In the case of a substitution pursuant to this Residual Certificates Condition 13.18, the Note Trustee may in its absolute discretion agree, without the consent of the Certificateholders, to a change in law governing 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 Certificateholders.

**14. 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.

## **15. 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 subject to all applicable laws. 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.

## **16. NOTICE TO CERTIFICATEHOLDERS**

### **16.1 Publication of Notice**

While the Residual Certificates are represented by a Global Residual Certificate, notices to Certificateholders will be valid 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.

While the Residual Certificates are represented by Definitive Residual Certificates, the Note Trustee shall be at liberty to sanction any method of giving notice to the Certificateholders if, in its opinion, such method is reasonable having regard to market practice then prevailing and provided that notice of such other method is given to the Certificateholders in such manner as the Note Trustee shall deem appropriate.

### **16.2 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.

## **17. REPLACEMENT RESIDUAL CERTIFICATES**

If the Issuer Substitution Condition is satisfied, the Issuer may, without the consent of the Certificateholders, issue 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.

## **18. JURISDICTION AND GOVERNING LAW**

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

arising out of or in connection with the Notes and/or the Residual Certificates and/or the Transaction Documents may be brought in such Courts.

- (b) The Transaction Documents, the Notes, 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 except that, to the extent that the provisions of the Mortgage Sale Agreement, the Deed of Charge and any security documents supplemental thereto relate to Scottish Loans or Northern Irish Loans, such provisions and documents shall be governed by Scots law or Northern Irish law, as applicable.

## **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 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.

## TAXATION

### *United Kingdom Taxation*

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice relating to only United Kingdom withholding tax treatment of any payments of principal and interest in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring holding or disposing of Notes. It does not deal with any taxation implications of an investment in the Residual Certificates. The United Kingdom tax treatment of prospective Noteholders and Certificateholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Prospective Noteholders and Certificateholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

### *Payment of Interest on the Notes*

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in Member States of the European Economic Area and are admitted to trading on the Main Securities Market of the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

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 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

HMRC has powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

### *EU Savings Directive*

Under the EU Savings Directive, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted the Amending Directive, amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The Amending Directive would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

### *Foreign Account Tax Compliance Act*

FATCA imposes a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer may be classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes or Residual Certificates 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 after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payments" are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes or Residual Certificates characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the Model 1 IGA and Model 2 IGA (each a "Model IGA") released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being a "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the "**U.S.-UK IGA**") based largely on the Model 1 IGA.

The Issuer expects to be treated as a Reporting FI pursuant to the U.S.-UK IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes or Residual Certificates are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes or Residual Certificates is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA, or (ii) an investor is a Recalcitrant Holder.

While the Notes and Residual Certificates are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under or in respect of the Notes or Residual Certificates by the Issuer or any paying agent, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes or the Residual Certificates. The documentation expressly contemplates the possibility that the Notes or Residual Certificates may convert into definitive form and therefore that they may cease to be held through a clearing system. If this were to happen then, depending on the circumstances, a non-FATCA-compliant holder could be subject to FATCA Withholding. However, conversion into Registered Definitive Notes or Residual Certificates is only anticipated to occur in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and the U.S.-UK IGA, all of which are subject to change or may be implemented in a materially different form.

## SUBSCRIPTION AND SALE

Credit Suisse Securities (Europe) Limited (the "Arranger" and "Lead Manager") and the Seller have, pursuant to a subscription agreement dated 21 April 2015 between, amongst others, the Seller, the Arranger, the Lead Manager and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay for:

- (a) in the case of the Lead Manager:
  - (i) £179,000,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes;
  - (ii) £21,000,000 of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes;
  - (iii) £21,000,000 of the Class C Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class C Notes;
  - (iv) £18,000,000 of the Class D Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class D Notes; and
  - (v) £21,000,000 of the Class E Notes at the issue price of 95.05 per cent. of the aggregate principal amount of the Class E Notes;
- (b) in the case of the Seller:
  - (i) the Class Z Notes at the issue price of 119.01 per cent. of the aggregate principal amount of the Class Z Notes; and
  - (ii) the Subordinated Notes at the issue price of 122.62 per cent. of the aggregate principal amount of the Subordinated Notes,

respectively as at the Closing Date.

The Issuer has agreed to indemnify the Lead Manager against certain liabilities in connection with the issue of the Notes.

***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 have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes as part of its distribution at any time within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. See "*Transfer Restrictions and Investor Representations*" below.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### ***United Kingdom***

The Lead Manager 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, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of 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 Lead Manager has acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with the Prospectus Directive, having applied for the admission of the Notes to the Official List of the Irish Stock Exchange and admission of the Notes to trading on its Main Securities Market, no further action has been or will be taken in any jurisdiction by the Lead Manager 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.

### ***Ireland***

The Lead Manager represents, warrants and undertakes to the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulation 2007 (Nos. 1 to 3) of Ireland, including, without limitation, Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Act 1963 to 2013 (as amended), the Central Bank Acts 1942 to 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 (as amended);
- (c) it will not underwrite the issue of, or place, or do anything in Ireland with respect to the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations, 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005 (as amended), by the Central Bank of Ireland; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland with respect to the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations, 2005 (as amended) and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005 by the Central Bank of Ireland.



## **General**

Other than admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on its Main Securities Market, no action has been taken by the Issuer, the Arranger, the Lead Manager or the Seller that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Lead Manager and the Seller 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.

To the extent that it would not contravene any undertakings made by the Seller in the Risk Retention Letter, the Seller has undertaken that it will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required for the offer, purchase or sale by it of the Class Z Notes and/or the Subordinated Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will, to the best of its knowledge and belief, comply with all such laws and regulations, provided that the Seller shall not be liable for any loss arising from the sale of the Class Z Notes and/or the Subordinated Notes to any person believed in good faith by the Seller, on reasonable grounds and after making reasonable investigations, to be a person to whom the Class Z Notes and/or the Subordinated Notes could legally be sold or to whom any material could lawfully be given in compliance with the above restrictions and requirements.

## 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 any state securities laws, 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 pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

### *Investor Representations and Restrictions on Resale*

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States, provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes, such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (c) 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.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AS PART OF THEIR DISTRIBUTION AT ANY TIME, EXCEPT 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."

*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 of the Irish Stock Exchange and the admission of the Notes to trading on the Irish Stock Exchange's Main Securities Market will be granted on or around 23 April 2015.
2. None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware) since 24 February 2015 (being the date of incorporation of each of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. 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. 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 2015. So long as the Notes are admitted to trading on the Irish Stock Exchange's Main Securities Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Notes are admitted to the Official List of the Irish Stock Exchange and to trading on the Irish Stock Exchange's Main Securities Market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 24 February 2015 (being the date of incorporation of each of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.
7. 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 20 April 2015.
8. The Notes and the Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

<b>Class of Notes/Residual Certificates</b>	<b>ISIN</b>	<b>Common Code</b>
Class A Notes	XS1192474978	119247497
Class B Notes	XS1192475355	119247535
Class C Notes	XS1192475512	119247551
Class D Notes	XS1192475603	119247560
Class E Notes	XS1192475785	119247578
Class Z Notes	XS1192476163	119247616
Subordinated Notes	XS1192476247	119247624
Residual Certificates	XS1192476593	119247659

9. From the date of this Prospectus and for so long as the Notes are listed on the Irish Stock Exchange and admitted to trading on its Main Securities Market, physical copies of the following documents may be inspected at the registered office of the Issuer (and, with the exception of (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) physical copies of the following documents:
    - (i) the Agency Agreement;
    - (ii) the Deed of Charge;
    - (iii) the Cash Management Agreement;
    - (iv) the Master Definitions and Construction Schedule;
    - (v) the Mortgage Sale Agreement;
    - (vi) the Corporate Services Agreement;
    - (vii) the Bank Account Agreement;
    - (viii) the Collection Account Declaration of Trust;
    - (ix) the Collection Account Declaration of Trust Accession Undertaking;
    - (x) the Collection Account Agreement;
    - (xi) the Collection Account Agreement Accession Undertaking;
    - (xii) the Servicing Agreement;
    - (xiii) the Share Trust Deed;
    - (xiv) Risk Retention Letter; and
    - (xv) the Trust Deed.
10. The Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the website at <https://sf.citidirect.com>. Investor Reports will also be made available to the Issuer, the Servicer, the Security Trustee, the Rating Agencies and Bloomberg. In addition, information on the Loans in the Portfolio will be published on the website at <https://sf.citidirect.com>. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
11. The Issuer confirms that the Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. 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.

12. Walkers Listing & Support 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 the Irish Stock Exchange or to trading on the Main Securities Market of the Irish Stock Exchange.
13. Any website referred to in this document does not form part of the Prospectus.

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**ISSUER**

**Aggregator of Loans Backed by Assets 2015-1 plc**

35 Great St. Helen's  
London EC3A 6AP

**SELLER**

**Ertow Holdings Limited**

Pinnacle 2, EastPoint Business Park  
Dublin 3, Ireland

**RETENTION HOLDER**

**Burlington Loan Management Limited**

Pinnacle 2, EastPoint Business Park  
Dublin 3, Ireland

**SERVICER AND LEGAL TITLE HOLDER**

**Pepper (UK) Limited**

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