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

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES OF THE ISSUER FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. 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. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and Macquarie Bank Limited, London Branch ("Macquarie" and a "Joint Lead Manager") and Credit Suisse Securities (Europe) Limited ("Credit Suisse" and a "Joint Lead Manager" and, together with Macquarie, the "Joint Lead Managers") or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

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 Regulation S 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 e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia 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 the Issuer, nor the Arrangers, nor the Joint Lead Managers, nor the transaction parties or any person who controls any such person or any director, officer, employee or agent of any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, Macquarie and Credit Suisse.

CELESTE MORTGAGE FUNDING 2015-1 PLC

(Incorporated in England and Wales with limited liability, registered number 09395397)

Class of Notes	Initial Principal Amount	Issue Price	Reference Rate	Margin	Step-Up Margin (payable from the Step-Up Date)	Optional Redemption Date	Step-Up Date	Expected Rating	
								DBRS	S&P
Class A Notes	£161,905,000	98.94%	Three Month LIBOR*	0.85% per annum	1.275% per annum	Interest Payment Date falling in March 2018	Interest Payment Date falling in March 2020	AAA _(sf)	AAA _(sf)
Class B Notes	£29,275,000	97.51%	Three Month LIBOR*	1.07% per annum	1.605% per annum	Interest Payment Date falling in March 2018	Interest Payment Date falling in March 2020	AA _(sf)	AA _(sf)
Class C Notes	£23,929,000	97.06%	Three Month LIBOR*	1.27% per annum	1.905% per annum	Interest Payment Date falling in March 2018	Interest Payment Date falling in March 2020	A _(sf)	A _(sf)
Class D Notes	£10,692,000	96.77%	Three Month LIBOR*	1.70% per annum	2.55% per annum	Interest Payment Date falling in March 2018	Interest Payment Date falling in March 2020	BBB _(sf)	BBB _(sf)
Class E Notes	£9,164,000	93.72%	Three Month LIBOR*	2.10% per annum	3.57% per annum	Interest Payment Date falling in March 2018	Interest Payment Date falling in March 2020	BB _(sf)	BB _(sf)
Class F Notes	£3,819,000	91.25%	Three Month LIBOR*	2.50% per annum	4.50% per annum	Interest Payment Date falling in March 2018	Interest Payment Date falling in March 2020	B _(sf)	B _(sf)
Class G Notes	£6,364,000	100%	Three Month LIBOR*	4.50% per annum	8.10% per annum	Interest Payment Date falling in March 2018	Interest Payment Date falling in March 2020	Not Rated	Not Rated
Class H Notes	£9,419,000	146.76%	Three Month LIBOR*	1.00% per annum	N/A	Interest Payment Date falling in March 2018	N/A	Not Rated	Not Rated
Subordinated Notes	£3,590,000	100%	Three Month LIBOR*	1.00% per annum	N/A	Interest Payment Date falling in March 2018	N/A	Not Rated	Not Rated

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

ARRANGER

Macquarie Bank Limited, London Branch

JOINT LEAD MANAGERS

Credit Suisse

Macquarie Bank Limited, London Branch

The date of this Prospectus is 26 March 2015

Issue Date	The Issuer expects to issue the Notes in the classes set out above on or about 27 March 2015 (the " <u>Closing Date</u> ").
Standalone/ programme issuance	Standalone issuance.
Underlying Assets	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and interest received from a portfolio of mortgage loans and their related security sold by Basinghall Mortgage Finance No.1 Limited (the "<u>Seller</u>"), and originated by Basinghall Finance Limited ("<u>BFL</u>") or GMAC-RFC Limited ("<u>GMAC</u>") and, together with BFL, the "<u>Originators</u>" and each, an "<u>Originator</u>") and secured over residential properties located in England and Wales, and purchased by the Issuer on the Closing Date (the "<u>Mortgage Portfolio</u>").</p> <p>See the sections entitled "<i>Transaction Overview – Mortgage Portfolio and Servicing</i>", "<i>The Mortgage Loans</i>" and "<i>Characteristics of the Provisional Portfolio</i>" for further details.</p>
Credit Enhancement	<p>Credit enhancement of the Notes is provided in the following manner:</p> <ul style="list-style-type: none"> • in relation to any Class of Notes (other than the Class H Notes and the Subordinated Notes), the overcollateralisation funded by Notes ranking junior to such Class of Notes in the Priorities of Payments; • other than the Class G Notes, the Class H Notes and the Subordinated Notes, the amount by which Interest Collections exceed the amounts required to pay interest on the relevant Class of Notes in accordance with the Pre-Enforcement Interest 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 Credit Reserve Fund Available Amount; • following service of an Enforcement Notice, all amounts credited to the Credit Reserve Fund Ledger, subject to application in accordance with the Post-Enforcement Priority of Payments. <p>See the sections entitled "<i>Transaction Overview – Credit Structure and Cashflow</i>" and "<i>Credit Structure</i>" for further details.</p>
Liquidity Support	Liquidity support for the Notes is provided in the following manner:
	<ul style="list-style-type: none"> • the subordination in payment of those Classes of Notes ranking junior in the Priorities of Payments;

	<ul style="list-style-type: none"> • in respect of the Rated Notes only, Principal Reallocation Amounts applied to meet any Interest Shortfall; and • in respect of the Rated Notes only, all amounts standing to the credit of the Credit Reserve Fund. <p>See the sections entitled "<i>Transaction Overview – Credit Structure and Cashflow</i>" and "<i>Credit Structure</i>" for further details.</p>
Redemption Provisions	Information on any optional and mandatory redemption of the Notes is summarised on page 62 (" <i>Transaction Overview – Summary of the Terms and Conditions of the Notes</i> ") and set out in full in Condition 8 (<i>Redemption</i>) of the terms and conditions of the Notes (the " <u>Conditions</u> ").
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, the Seller 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% in the securitisation in accordance with the text of each of Article 405 of Regulation (EU) No 575/2013 (the " <u>Capital Requirements Regulation</u> " or " <u>CRR</u> ") and Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Manager Regulation (the " <u>AIFM Regulation</u> ") (which, in each case, does not take into account any corresponding national measures) (the " <u>Retention</u> "). As at the Closing Date, the Retention will be comprised of 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, in this case retention of the Class H Notes and the Subordinated Notes, as required by the text of each of Article 405 of the CRR and Article 51 of the AIFM Regulation. Any change in the manner in which the interest is held will be notified to the Noteholders. See the section entitled " <i>EU Risk Retention Requirements</i> " for further information.
Residual Certificates	In addition to the Notes, the Issuer will issue the Residual Certificates on the Closing Date. The Residual Certificates represent the right to receive deferred consideration for the purchase of the Mortgage Portfolio (consisting of the Residual Payments in respect of the Mortgage Portfolio). See the section entitled " <i>Terms and Conditions of the Residual Certificates</i> " for further details.
Credit Rating Agencies	Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited (" <u>S&P</u> ") and DBRS Ratings Limited (" <u>DBRS</u> ") (each, a " <u>Rating Agency</u> " and together, the " <u>Rating Agencies</u> "). As of the date of this Prospectus, DBRS is a credit rating agency established in the European Union (the " <u>EU</u> ") and is registered under Regulation (EU) No 1060/2009 (the " <u>CRA Regulation</u> "). Standard & Poor's Rating Services is the credit rating division of Standard & Poor's, which trades through various legal

	<p>entities. For purposes of the CRA Regulation, the credit rating of each Class of Rated Notes is issued by Standard & Poor's Credit Market Services Europe Limited, an entity established in the European Union and registered under the CRA Regulation.</p>
<p>Credit Ratings</p>	<p>The ratings assigned to the Rated Notes shall address, <i>inter alia</i>:</p> <ul style="list-style-type: none"> • the likelihood of full and timely payment to the holders of the Most Senior Class of Notes from time to time which have been assigned a rating by the Rating Agencies (the "<u>Most Senior Class of Rated Notes</u>") of all payments of interest on each Interest Payment Date; • the likelihood of ultimate payment to the holders of the Rated Notes (other than the Most Senior Class of Rated Notes from time to time) of all payments of interest on or prior to the Final Maturity Date; and • the likelihood of ultimate payment to the holders of the Rated Notes (the "<u>Rated Noteholders</u>") of principal in relation to the Rated Notes on or prior to the Final Maturity Date. <p>Ratings are expected to be assigned to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes (together, the "<u>Rated Notes</u>") on or before the Closing Date. The Class G Notes, the Class H Notes and the Subordinated Notes (the "<u>Unrated Notes</u>") 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, the Class E Notes and the Class F 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, the Class E Notes or the Class F 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.</p>
<p>Listing</p>	<p>This prospectus (the "<u>Prospectus</u>") comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the "<u>Prospectus Directive</u>"). This Prospectus has been approved by the Central Bank of Ireland (the "<u>Central Bank</u>") 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 Rated Notes and the Unrated Notes (together, the "<u>Notes</u>") which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the "<u>Markets in Financial Instruments Directive</u>") 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 "<u>Irish Stock Exchange</u>") for the Notes to be admitted to the official list (the "<u>Official List</u>") and trading on its regulated market (the "<u>Main Securities Market</u>"). The Irish Stock Exchange's Main Securities Market is a regulated market for the purposes of the Markets in</p>

	Financial Instruments Directive.
Eurosystem Eligibility	The Class A Notes are intended to be held in a manner which would allow Eurosystem eligibility. This means that the Class A Notes are intended upon issue to be deposited with one of the International Central Securities Depositories (the " <u>ICSDs</u> "), as common safekeeper and does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. All other Classes of Notes are not intended to be held in a manner which would allow Eurosystem eligibility or be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem.
Significant Investor	The Seller will on the Closing Date purchase 100% of the Class G Notes, the Class H Notes and the Subordinated Notes.
Definitions	Please refer to the section entitled " <i>Index of Terms</i> ".

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 WITHIN THAT 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, BFL, THE ARRANGER, THE JOINT LEAD MANAGERS, THE PORTFOLIO ADMINISTRATOR, THE STANDBY PORTFOLIO ADMINISTRATOR, THE SPECIAL SERVICER, THE CASH ADMINISTRATOR, THE STANDBY CASH ADMINISTRATOR, THE ISSUER ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, HOLDINGS, THE CORPORATE SERVICES PROVIDER, THE AGENT BANK, THE PRINCIPAL PAYING AGENT, 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.

Each Class of Notes will be represented on issue by a global note certificate in registered form (each a "Global Note"). Each Class of 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 CLASS A NOTES ARE INTENDED TO BE HELD IN A MANNER WHICH WOULD ALLOW EUROSISTEM ELIGIBILITY. THIS MEANS THAT THE CLASS A NOTES ARE INTENDED UPON ISSUE TO BE DEPOSITED WITH ONE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG AS COMMON SAFEKEEPER AND DOES NOT NECESSARILY MEAN THAT THE CLASS A NOTES WILL BE RECOGNISED AS ELIGIBLE COLLATERAL FOR EUROSISTEM MONETARY POLICY AND INTRA-DAY CREDIT OPERATIONS BY THE EUROSISTEM ("EUROSISTEM ELIGIBLE COLLATERAL") EITHER UPON ISSUE OR AT ANY OR ALL TIMES DURING THEIR LIFE. SUCH RECOGNITION WILL DEPEND UPON SATISFACTION OF THE EUROSISTEM ELIGIBILITY CRITERIA. IT IS EXPECTED THAT THE CLASS B NOTES, THE CLASS C NOTES, THE CLASS D NOTES AND THE CLASS E NOTES WILL NOT SATISFY THE EUROSISTEM ELIGIBILITY CRITERIA. THE ISSUER GIVES NO REPRESENTATION, WARRANTY, CONFIRMATION OR GUARANTEE TO ANY INVESTOR IN THE CLASS A NOTES THAT THE CLASS A NOTES WILL, EITHER UPON ISSUE OR AT ANY TIME PRIOR TO REDEMPTION IN FULL, SATISFY ALL OR ANY OF THE REQUIREMENTS FOR EUROSISTEM ELIGIBILITY AND BE RECOGNISED AS EUROSISTEM ELIGIBLE COLLATERAL. ANY POTENTIAL INVESTOR IN THE CLASS A NOTES SHOULD MAKE THEIR OWN CONCLUSIONS AND SEEK THEIR OWN ADVICE WITH RESPECT TO WHETHER OR NOT THE CLASS A NOTES CONSTITUTE EUROSISTEM ELIGIBLE COLLATERAL.

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 JOINT LEAD MANAGERS 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 REGULATION S 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 JOINT LEAD MANAGERS, 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 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, BFL ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "BASINGHALL".

FINANCE LIMITED", *"THE MORTGAGE LOANS"*, *"LENDING CRITERIA"*, *"INSURANCE CONTRACTS"* AND *"CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO"*. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF BFL (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 BFL 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 SELLER ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED *"THE SELLER"* AND *"EU RISK RETENTION REQUIREMENTS"*. 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 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 SELLER 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.

HOLDINGS ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTION HEADED *"HOLDINGS"*. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF HOLDINGS (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 HOLDINGS 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 PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, ANY RELEVANT PARTY OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS.

NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE SELLER OR BFL OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF.

THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER AND THE OTHER SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN

BE GIVEN AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ISSUER OR ANY OTHER RELEVANT PARTY HAS SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE ISSUER OR ANY OTHER RELEVANT PARTY MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE JOINT LEAD MANAGERS, THE ARRANGER OR ANY OTHER RELEVANT PARTY, 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 Mortgage 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 Issuer or any Relevant Party 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 or any Relevant Party 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.

Disclosure of Interests

In addition to the interests described in this Prospectus, the Joint Lead Managers and their respective related entities, associates, officers or employees (each a "Related Entity"):

- (a) may from time to time be a Noteholder or have other interests with respect to the Notes and they may also have interests relating to other arrangements with respect to a Noteholder or a Note;
- (b) may receive fees, brokerage and commissions or other benefits, and act as principal with respect to any dealing with respect to any Notes; and
- (c) may be involved in a broad range of transactions including, without limitation, banking, dealing in financial products, credit, derivative and liquidity transactions, investment management, corporate and investment banking and research in various capacities in respect of the Notes, the Issuer or any related entity, both on its own account and for the account of other persons.

Prospective investors should be aware that:

- (i) each Related Entity in the course of its business (including in respect of interests described above) may act independently of any other Related Entity or any party to a Transaction Document;
- (ii) to the maximum extent permitted by applicable law, the duties of each Related Entity in respect of the Notes are limited to the relevant contractual obligations set out in the Transaction Documents and, in particular, no advisory or fiduciary duty is owed to any person;
- (iii) a Related Entity may have or come into possession of information not contained in this Prospectus that may be relevant to any decision by a potential investor to acquire the Notes and which may or may not be publicly available to potential investors ("Relevant Information");
- (iv) to the maximum extent permitted by applicable law, no Related Entity is under any obligation to disclose any Relevant Information to any other Related Entity, to any party to a Transaction Document or to any potential investor and this Prospectus and

any subsequent conduct by a Related Entity should not be construed as implying that the Related Entity is not in possession of such Relevant Information; and

- (v) each Related Entity may have various potential and actual conflicts of interest arising in the ordinary course of its business, including in respect of the interests described above. For example, a Related Entity's dealings with respect to a Note, the Issuer or a party to a Transaction Document may affect the value of a Note. These interests may conflict with the interests of a Noteholder, and the Noteholder may suffer loss as a result. To the maximum extent permitted by applicable law, a Related Entity is not restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents or the interests described above and may otherwise continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Noteholders, and the Related Entities may in so doing act without notice to, and without regard to, the interests of any such person.

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.

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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 and interest on the Notes and its operating and administrative expenses will be dependent solely on receipts of principal and interest (and other revenue) in respect of the Mortgage Loans comprising the Mortgage Portfolio, interest earned on the Issuer Accounts, income from any Authorised Investments and the Credit Reserve Fund (each applied in accordance with the terms of the Cash Administration Agreement). 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 and interest),

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 and interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be 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

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 Interest Priority of Payments (or, in respect of the Class G Notes, the Class H Notes and the Subordinated Notes following the Step-Up Date, the Pre-enforcement Principal 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 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.

Credit risk

The Issuer is subject to the risk of default in payment by the Borrowers and the failure by the Portfolio Administrator, on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of any Mortgage Loan and its Related Security in order to discharge all amounts due and owing by the relevant Borrower(s) under such Mortgage 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 Mortgage 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, in the case of all of the Rated Notes, the use of the Credit Reserve Fund Available Amount, the use of Principal Reallocation Amounts to meet any Interest Shortfalls and any Credit Reserve Liquidity Shortfall and the use of Credit Reserve Fund Liquidity Release Amounts to meet any Remaining Interest Shortfalls, 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 F Notes and the Unrated Notes

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

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

The Class D Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal, but subordinate to the Class A Notes, the Class B Notes and the Class C Notes, as provided in the Conditions and the Transaction Documents.

The Class E Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, as provided in the Conditions and the Transaction Documents.

The Class F Notes rank *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 Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

The Class G Notes rank *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.

The Class H Notes rank *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 the Class G Notes.

The Subordinated Notes rank *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, the Class G Notes and the Class H Notes.

The Residual Certificates are subordinate to all rights of payment of interest on the Notes, 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 Portfolio Administrator (other than, in respect of the Rated Notes, the Subordinated Portfolio Administration Fee), the Special Servicer, the Cash Administrator, the Corporate Services Provider, the Standby Portfolio Administrator, the Standby Cash Administrator, 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 Interest Receipts Prior to the Service of an Enforcement Notice on the Issuer", "Cashflows – Application of Available Principal 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.

Interest and the Principal Deficiency Ledger

If, on any Interest Payment Date, as a result of shortfalls in Available Interest Receipts, there would be an Interest Shortfall or a Credit Reserve Liquidity Shortfall, the Issuer shall apply Available Principal Receipts (if any) in accordance with item (A) of the Pre-Enforcement Principal Priority of Payments to cure such Interest Shortfall (such reapplied amounts, "Senior Principal Reallocation Amounts") or item (B) of the Pre-Enforcement Principal Priority of Payments to cure such Credit Reserve Liquidity Shortfall (such reapplied amounts, "Credit Reserve Reallocation Amounts" and, together with Senior Principal Reallocation Amounts, "Principal Reallocation Amounts"). Available Principal Receipts may only be redirected as Principal Reallocation Amounts to meet an Interest Shortfall (arising as a result of an inability to pay amounts due in respect of interest on the Rated Notes (excluding any Class of Rated Notes, other than the Class A Notes, where there is a debit balance on the Principal Deficiency Ledger that is greater than the aggregate Principal Amount Outstanding of such Class of Notes and all other Classes of Notes ranking subordinated to such Class of Notes in the Pre-Enforcement Principal Priority of Payments or where certain Mortgage Portfolio default triggers in respect of such Class of Rated Notes have been met) and certain prior ranking payments from Available Interest Receipts on any Interest Payment Date) or a Credit Reserve Liquidity Shortfall (arising as a result of an inability to replenish the Credit Reserve Fund up to the Credit Reserve Fund Target Liquidity Amount from Available Interest Receipts on any Interest Payment Date). The Issuer will not be able to use Available Principal Receipts to pay interest on any Class of Notes, excluding the Most Senior Class of Notes, to the extent Available Interest Receipts are not sufficient to pay such interest and there is a debit balance on the Principal Deficiency Ledger that is greater than the aggregate

Principal Amount Outstanding of such Class of Notes and all other Classes of Notes ranking subordinated to such Class of Notes in the Pre-Enforcement Principal Priority of Payments or where certain Mortgage Portfolio default triggers in respect of such Class of Rated Notes have been met (for further information see "*Credit Structure – Credit Reserve Fund and Credit Reserve Fund Ledger*" below).

Application of any Available Principal Receipts as Principal Reallocation Amounts and any Losses will be recorded as a debit on the Principal Deficiency Ledger until the debit balance on the Principal Deficiency Ledger is equal to the aggregate Principal Amount Outstanding of the 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 Interest Receipts (including the Credit Reserve Fund Available Amount) and the Principal Deficiency Ledger shall be credited to the extent of any Available Interest Receipts applied for such purpose pursuant to the Pre-Enforcement Interest Priority of Payments. In addition, to the extent that the Notes have not been redeemed in full on any Interest Payment Date falling after the Step-Up Date, amounts of Available Interest Receipts applied as Additional Available Principal Funds, being any remaining Available Interest Receipts after having paid or provided for items of higher priority in the Pre-Enforcement Interest Priority of Payments, will be applied as Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments. Any Available Interest Receipts applied as Additional Available Principal Funds 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 Additional Available Principal Funds (if any) shall be reduced to the extent of any future Principal Reallocation Amounts or Losses arising in respect of the Mortgage 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 Interest Receipts, Principal Reallocation Amounts and Credit Reserve Fund Liquidity Release Amounts may not be sufficient to pay, in full or at all, interest due on the Notes after meeting the payments ranking in priority thereto; and
- there may be insufficient Available Principal Receipts and Available Interest Receipts to repay the Notes on or prior to the Final Maturity Date of the Notes.

Basis risk

Payments received by the Issuer under the Mortgage Loans will be subject to a rate of interest payable by reference or linked to, the Standard Variable Rate, BBR or three-month LIBOR for GBP deposits (see "*The Mortgage Loans – Information on the Mortgage Loans – Interest Rate Types*" below). The interest amounts payable by the Issuer in respect of the Notes will be calculated by reference to three month LIBOR (or interpolated for one and three month LIBOR in respect of the first Interest Payment Date). The Issuer will not enter into any transaction to hedge against its exposure to the potential variance between the various variable rates of interest received on the Mortgage Loans in the Mortgage Portfolio and the rate of interest payable on the Notes and the Issuer is therefore subject to the risk of the contractual interest rates on the Mortgage Loans being lower than that required by the Issuer in order to meet its commitments under the Notes and its other obligations. This may lead to a shortfall in amounts available to pay interest on the Notes and, following service of an Enforcement Notice on the Issuer, interest and principal on 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 Mortgage Loans. Prepayments on the Mortgage Loans

may result from early repayment of the Mortgage 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 Mortgage Loans.

The rate of prepayment of Mortgage 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 Mortgage Loans, a Borrower may "overpay" or prepay principal at any time. No assurance can be given as to the level of prepayments that the Mortgage 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 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 BFL and the Portfolio Administrator, to change the terms of their Mortgage Loan from an Interest-only Loan to a Repayment Loan, the Issuer would receive principal payments in respect of the relevant Mortgage Loan earlier than would otherwise be anticipated. If the Seller and BFL are required, on a joint and several basis, to repurchase a Mortgage Loan and its Related Security because, for example, one of the Mortgage 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 Mortgage 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 Mortgage 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 Principal Priority of Payments (see "Cashflows" below).

The Seller may, subject to certain conditions (including that the entity purchasing the Mortgage Loans and their Related Security has sufficient amounts available for such purpose and that the Issuer consents to such repurchase), repurchase the Mortgage Portfolio on any Business Day falling (a) on or after the Cut-Off Date and on or before the Calculation Date immediately preceding an Interest Payment Date falling on or after the Optional Redemption Date (such period being an "Optional Repurchase Period") or (b) on and from any Cut-Off Date on which the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) was equal to or less than 10% of the aggregate Principal Amount Outstanding of the Notes on the Closing Date but on or before the Calculation Date after such Cut-Off Date (the date such repurchase occurs, the "Optional Repurchase Date"). The Issuer may, subject to certain conditions, redeem all of the Notes (a) on any Interest Payment Date on and from the Optional Redemption Date or (b) on any Interest Payment Date on which the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10% of the aggregate Principal Amount Outstanding of the Notes on the Closing Date. The Seller is not required to repurchase the Mortgage 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 Mortgage Portfolio by the Seller or on any Interest Payment Date on which the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10% of the aggregate Principal Amount Outstanding of the Notes on the Closing Date. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer being required to make a deduction or withholding for or on account of tax or as a result of certain illegality events. This may adversely affect the yield to maturity on the Notes.

Absence of secondary market

There is currently no secondary market for the Notes and no assurance is provided that an active and liquid secondary market for the Notes will develop. 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, 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 Most Senior Class of Rated Notes address the likelihood of full and timely payment to the holders of the Most Senior Class of Rated Notes of all payments of interest on each Interest Payment Date and the ultimate payment of principal on or before the Final Maturity Date and the ratings of the Rated Notes (other than the Most Senior Class of Rated Notes) address the likelihood of the ultimate payment of interest and principal on or before the Final Maturity Date. The Unrated Notes will not be rated by the Rating Agencies.

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 and/or the Collection 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 and the Collection 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, among others, the Bank of England.

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

The Rating Agencies may be requested by (and certain Transaction Documents require) the Issuer to confirm 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 Notes (a "Ratings Confirmation").

A Ratings Confirmation that any action proposed to be taken by the Issuer 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 holders of the Rated Notes. While each of the Secured Creditors (including the Noteholders) and the Issuer is entitled to have regard to the fact that the Rating Agencies have confirmed that the then current ratings of the relevant class of 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), the Issuer or any other person or create any legal relationship between the Rating Agencies and the Secured Creditors (including the Noteholders), the Issuer or any other person whether by way of contract or otherwise.

Any such Ratings Confirmation may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the nature of the request, the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Ratings Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. A Ratings 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 Ratings 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.

S&P has indicated that it will no longer provide Ratings Confirmations as a matter of policy. To the extent that a Ratings 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. In certain circumstances, obligations on the Issuer to obtain Ratings Confirmations may be waived without the approval of the Note Trustee, the Security Trustee or the Noteholders.

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% in 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 10 (*Events of Default*)) unless it shall have been directed to do so by the holders of the Most Senior Class of Notes (or if no Notes remain outstanding, the holders of the Residual Certificates) 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 11 (Enforcement)*" below.

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

In relation to the covenant to be given by the Seller to the Issuer and the Security Trustee in the Mortgage Sale Agreement in accordance with the CRR and the AIFM Regulation regarding the material net economic interest to be retained by the Seller in the securitisation and (in respect of CRR only) certain requirements as to providing investor information in connection therewith and the covenant to be given by BFL that it will legally and beneficially own the entire allotted and issued share capital of the Seller for so long as the Issuer is required to satisfy the retention requirements under the CRR and the AIFM Regulation, neither the Note Trustee nor the Security Trustee will be under any obligation to monitor the compliance by the Seller or BFL, respectively, with such covenants and will not be under any obligation to take any action in relation to non-compliance with such covenants.

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 each Class or Classes of Notes and/or the Residual Certificates then in issue, as applicable, which are affected by such Basic Terms Modifications. 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 Transaction Documents, 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 12 (Meetings of Certificateholders and Noteholders, Modification, Waiver and Substitution)*" below.

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 and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee to have regard to the interests of all Classes of Noteholders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise).

If, in the Note Trustee's or, as the case may be, the Security 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 or, as the case may be, the Security 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 Principal 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 or the Security 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 Notes are deemed outstanding or Residual Certificates are deemed in issue, for the purposes of convening a meeting of Noteholders or Certificateholders, those Notes or Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Seller, the Originator, any holding company as defined in section 1159 of the Companies Act 2006 ("Holding Company") of any of the Seller or the Originator or any other subsidiary as defined in section 1159 of the Companies Act 2006 ("Subsidiary") of either such Holding Company (each such entity a "Relevant Person"), in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding except in the case of the Relevant Persons where all of the Notes of any Classes or all of the Residual Certificates are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Classes of Notes (the "Relevant Class of Notes") or the Residual Certificates shall be deemed to remain outstanding except that, if there is any other Class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such Class, then the Relevant Class of Notes shall be deemed not to remain outstanding.

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.

In respect of the interests of the Certificateholders, the Trust Deed contains provisions requiring the Note Trustee and the Security 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 the Security Trustee respectively, and requiring the Note Trustee and the Security 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. However the Seller was not the originator of the related Mortgage Loan and the said rights may therefore not have been effectively assigned to it by BFL. In addition, as BFL was not the originator of the GMAC Loans, such rights in respect of the GMAC Loans may not have been effectively assigned to BFL by GMAC. 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 Mortgage Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Seller and BFL pursuant to the Mortgage Sale Agreement have undertaken, where appropriate, to either instigate action against such solicitor or valuer, provided that the Issuer first indemnifies the Seller or BFL, as applicable, for the costs of taking such action, and subject to any limitations or conditions contained in the relevant documentation under which the Seller acquired title to the related Mortgage Loan. Any failure by or inability of the Seller and/or BFL 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.

Furthermore, 99.9¹% of the Mortgage Loans in the Provisional Portfolio have a date of origination which falls at least 6 years prior to the Portfolio Reference Date (each such Mortgage Loan, a "Seasoned Mortgage Loan"). In addition to those factors set out above, whether or not the Issuer or BFL has a valid claim against any solicitor or licensed conveyancer in respect of a Seasoned Mortgage Loan will depend on whether such claim has become time barred under the statute of limitations, as more than six years has passed since the Mortgage Loan was originated and the applicable conveyancing carried out.

BFL to initially retain legal title to the Mortgage Loans and risks relating to set-off

As the sale by BFL to the Seller of the Mortgage Loans and their Related Security took effect in equity only, the Seller only has a beneficial interest in the Mortgage Loans and their Related Security.

In each case, this means that legal title to the Mortgage Loans and their Related Security in the Mortgage Portfolio will remain with BFL until certain perfection trigger events occur under the terms of the Mortgage Sale Agreement (see "Summary of the Key Transaction Documents – Mortgage Sale 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 Mortgages.

Unless notice of the assignment was given to the Borrowers in respect of the Mortgage 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 BFL under the relevant Mortgage Loan. These rights may result in the Issuer receiving reduced payments on the Mortgage Loans. The transfer of the benefit of any Mortgage 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 is given to any Borrower, however, some rights of set-off (being those rights that are not connected with or related to the relevant Mortgage Loan) may not arise after the date notice is given. For further information on the effects of set-off in relation to the Mortgage Portfolio, see below "Set-off may adversely affect the value of the Mortgage Portfolio or any part thereof".

As a consequence of the Issuer not obtaining legal title to the Mortgage Loans and their Related Security or the Properties secured thereby, a *bona fide* purchaser from BFL for value of any of

¹ Determined as a percentage of the aggregate Current Balance of the Mortgage Loans in the Provisional Portfolio on the Portfolio Reference Date

such Mortgage 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 Mortgage Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Mortgage 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 BFL of its contractual obligations or from fraud, negligence or mistake on the part of the Seller or BFL or any of their respective personnel or agents.

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

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

For so long as the Issuer does not have legal title to the Mortgage Loans and their Related Security, BFL will undertake in the Mortgage Sale Agreement for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the relevant Mortgage Loans and their Related Security and the Issuer will have power of attorney to act in the name of BFL, in respect of which please see the section entitled "*The Mortgage Loans – Characteristics of the Mortgage Loans – Title to the Mortgage Portfolio*" for further details.

Set-off may adversely affect the value of the Mortgage Portfolio or any part thereof

As described above, the sale by the Seller to the Issuer of the Mortgage Loans and their Related Security will be given effect by an assignment. As a result, legal title to the Mortgage Loans and their Related Security sold by the Seller to the Issuer will remain with BFL until the occurrence of a Perfection Event.

The Borrowers may be entitled to exercise certain independent or equitable set-off rights against the Issuer. Independent set-off will arise in connection with transactions that are unconnected with the relevant Borrower's Mortgage 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 BFL or the Seller). BFL 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 Mortgage Loan. An equitable right of set-off could arise where BFL has failed to make a Further Advance to the Borrower having made a commitment to do so, where BFL has agreed to Port a Mortgage Loan or where BFL is in breach of contract under the relevant Mortgage Loan. The Seller and BFL will represent and warrant in the Mortgage Sale Agreement that the terms and conditions of the Mortgage Loans do not require BFL to agree to any Further Advance or Port. None of the Mortgage Loans in the Provisional Portfolio permit the relevant Borrowers to Port at their discretion (or move their Mortgage Loan to a new property). Should a Further Advance or a Port or Product Switch be agreed, the Seller or BFL would be required to repurchase the relevant Mortgage Loan pursuant to the terms of the Mortgage Sale Agreement. The Seller and BFL are jointly and severally liable for the repurchase of the relevant Mortgage Loan.

Once notice has been given to the Borrowers of the assignment of the Mortgage Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against BFL will crystallise and further rights of independent set-off would cease to accrue from that date and no

new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (being those set-off claims arising out of a transaction connected with the Mortgage 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 BFL's breach of contract against BFL's (and, as equitable assignee of the beneficial interest in the Mortgage Loans and their Related Security, the Issuer's) claim for payment of principal and/or interest under the relevant Mortgage 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 BFL 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 BFL to make a Further Advance having become bound to do so, the Borrower could, where the Seller and BFL have not repurchased the relevant Mortgage Loan, set off against the Issuer any additional cost of funding incurred in borrowing an amount equal to the relevant Further Advance. In addition, where BFL has failed to effect the Port, having committed to do so, the Borrower could set off against the Issuer, where the Seller and BFL have failed to repurchase the relevant Mortgage Loan, the difference between the rate of interest on the Mortgage 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 BFL's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

If the Borrower is unable to obtain an alternative mortgage loan, he or she may have a claim in respect of other indirect losses arising from BFL's breach of contract where there are special circumstances communicated by the Borrower to BFL 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 Special Servicer and/or the Portfolio Administrator will be entitled to take enforcement proceedings against the Borrower, although the period of non-payment by the Borrower is likely to continue until a judgment is obtained.

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

Characteristics of the Mortgage Portfolio

The information in the section headed "*Characteristics of the Provisional Portfolio*" has been extracted from the systems of BFL as at the Portfolio Reference Date. The Provisional Portfolio as at the Portfolio Reference Date comprised of 1,431 mortgage loans with an aggregate Current Balance (calculated by reference to the Current Balance of each Mortgage Loan as at the Portfolio Reference Date) of £254,567,336. The Mortgage Portfolio that will be sold to the Issuer on the Closing Date will be representative of the Seller's portfolio of mortgage loans which comply with the Loan Warranties as at 1 January 2015. The characteristics of the Mortgage Portfolio will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments and redemptions of Mortgage Loans and the removal of any Mortgage Loans from the Mortgage Portfolio that do not comply with the Loan Warranties as at 1 January 2015. None of the Seller, the Special Servicer nor the Portfolio Administrator has provided any assurance that there will be no material change in the characteristics of the Mortgage Portfolio between the Portfolio Reference Date and the Closing Date.

Servicing and third party risk

Issuer reliance on other third parties

The Issuer is a party to contracts with a number of other third parties who have agreed to perform services in relation to the Issuer and/or the 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 open the Transaction Account in the name of the Issuer pursuant to the Account Bank Agreement, the Portfolio Administrator has agreed to service the Mortgage Portfolio pursuant to the Administration Agreement, the Special Servicer has agreed to provide certain special services in respect of the Mortgage Portfolio pursuant to the Special Servicing Agreement, the Cash Administrator has agreed to provide cash management services pursuant to the Cash Administration Agreement, the Standby Cash Administrator has agreed to act as standby cash administrator pursuant to the Standby Cash Administrator Agreement, the Standby Portfolio Administrator has agreed to act as standby portfolio administrator pursuant to the Standby Portfolio Administrator 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 Mortgage 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.

Delegation of the Portfolio Management Services

BFL will be appointed by the Issuer as Portfolio Administrator to service the Mortgage Loans and their Related Security. On the Closing Date, the Portfolio Management Services in respect of the Mortgage Loans will be delegated to Homeloan Management Limited ("HML") pursuant to the terms of a delegation agreement (the "HML Delegation Agreement"). Under the Administration Agreement, the Portfolio Administrator is only entitled to terminate such delegation to HML if the following conditions are satisfied: (i) the prior written consent of the Issuer and, following the delivery of an Enforcement Notice, Security Trustee has been obtained; (ii) none of the Rating Agencies, having been notified of the proposed arrangement, has indicated that the then current rating of any of the Rated Notes will be suspended, withdrawn, or downgraded, or otherwise adversely affected as a result of the alteration of the delegation arrangements; and (iii) any replacement sub-contractor or delegate will perform the mortgage administration functions on behalf of the Portfolio Administrator so as to ensure that BFL (in its capacity as Portfolio Administrator) complies with its obligations under the FSMA and MCOB. Notwithstanding any such sub-contracting to any party or delegation of the performance of any of its obligations under the Administration Agreement (including the delegation of the Portfolio Management Services to HML), the Portfolio Administrator will remain responsible for the performance of such obligations under the Administration Agreement.

The Standby Portfolio Administrator and the Standby Cash Administrator

If the Portfolio Administrator breaches the terms of the Administration Agreement, or the Cash Administrator breaches the terms of the Cash Administration 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 Portfolio Administrator or the Cash Administrator (as applicable) in accordance with the terms of the Administration Agreement or, as the case may be, the Cash Administration Agreement and the Issuer and BFL shall appoint (in the case of the termination of the appointment of the Portfolio Administrator) the Standby Portfolio Administrator to perform the Portfolio Management Services pursuant to the Standby Portfolio Administrator Agreement or the Issuer shall appoint (in the case of the termination of the appointment of the Cash Administrator) the Standby Cash Administrator to perform the cash management services pursuant to the Standby Cash Administrator Agreement.

If the Standby Portfolio Administrator or the Standby Cash Administrator is unable to perform the relevant services under the Administration Agreement or Cash Administration Agreement (as applicable), there can be no assurance that a substitute portfolio administrator or cash administrator with sufficient experience to perform the relevant services would be found who would be willing and able to perform such services on the terms, or substantially similar terms, set out in the Administration Agreement or Cash Administration Agreement (as applicable). Further, it may be that the terms on which a substitute portfolio administrator or cash administrator may be appointed are substantially different from those set out in the Administration Agreement or the Cash Administration Agreement (as applicable) and the terms may be such that the Noteholders may be adversely affected. The ability of a substitute portfolio administrator or cash administrator to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. In addition, as described below, any substitute portfolio administrator will be required, *inter alia*, to be authorised under the Financial Services and Markets Act 2000 (the "FSMA") in order to service Mortgage Loans and their Related Security that constitute Regulated Mortgage Contracts under the FSMA. Any delay or inability to appoint a substitute portfolio administrator or cash administrator may affect the Issuer's ability to make payments when due on the Notes.

For further details on the arrangements with the Portfolio Administrator and the delegation of the Portfolio Management Services to HML, please see "*Summary of the Key Transaction Documents – Administration Agreement*" and "*HML Delegation 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 and the Collection 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 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 BFL in the ordinary course of business. Other parties to the transaction may also perform multiple roles including Citibank, N.A., London Branch, who will act as Issuer Account Bank, Standby Cash Administrator, Principal Paying Agent and Agent Bank and BFL, who will act as Portfolio Administrator, Special Servicer and Cash Administrator. 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. Certain parties, including the Arranger and the Joint Lead Managers, may purchase Notes on the Closing Date or at a later date. 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.

The Mortgage Portfolio

Delinquencies or default by Borrowers in paying amounts due on their Mortgage Loans

Borrowers may default on their obligations under the Mortgage Loans in the Mortgage Portfolio. Defaults may occur for a variety of reasons. The Mortgage 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 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 Mortgage Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Mortgage 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 Mortgage Loans. In addition, the ability of a Borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage 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 Mortgage Loan.

In order to enforce a power of sale in respect of a mortgaged property, the relevant mortgagee 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 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 in relation to obtaining possession of properties permitted by law are restricted in the future.

Near-prime Borrowers

1.17%² of the Mortgage Loans in the Provisional Portfolio were made to Borrowers who, at the time of origination of the initial advance of the relevant Mortgage Loan, may have had impairments to their credit profile as a result of prior satisfied county court judgments (“CCJs”) or discharged bankruptcies, such that they would not qualify as prime borrowers for the purposes of taking out mortgage loans with a mainstream bank or building society (such borrowers, “Near-Prime Borrowers”). Mortgage loans made to Near-Prime Borrowers may experience higher rates of delinquency, write-offs and enforcement than have historically been experienced by mortgage loans made to prime borrowers and therefore carry a higher degree of risk.

The Issuer has been informed by BFL that the Mortgage Loans have been underwritten in accordance with the underwriting standards described in the section entitled “*The Mortgage Loans*” below subject to any variations as may be acceptable to a Reasonable, Prudent Residential Mortgage Lender. 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 the risks in lending to Near-Prime Borrowers. In addition, the Seller has represented and warranted in the Mortgage Sale Agreement that prior to the granting of each Mortgage Loan, the Lending Criteria and all other conditions precedent to making the Loan were satisfied in all material respects (subject to such exceptions as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender).

Near-Prime Borrowers are generally considered less likely than prime borrowers to make payments on a timely basis or in full under the relevant Mortgage Loans. Any failure by the Borrowers (whether as a result of their status as Near-Prime Borrowers or otherwise) to make payments under their relevant Mortgage Loans could have an adverse effect on the ability of the Issuer to make payments of interest and/or principal in respect of the Notes.

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

The Mortgage Loans in the Mortgage Portfolio are subject to a variable rate of interest. As such, Borrowers will be exposed to increased monthly payments if the related mortgage interest rate adjusts upward. This increase in Borrowers' monthly payments may ultimately result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement mortgage 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 Mortgage 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 Mortgage Loans may be affected by, among other things, a decline in the residential property values in Great Britain. If the residential property market in Great Britain 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.

² Determined as a percentage of the aggregate Current Balance of the Mortgage Loans in the Provisional Portfolio on the Portfolio Reference Date

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 Mortgage 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 mortgage loan secured on such property. If the value of the Related Security backing the Mortgage 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 Mortgage 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 Mortgage Loans" or otherwise) have insufficient resources to pay amounts in respect of their Mortgage 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

Mortgage Loans in the Mortgage Portfolio may also be subject to geographic concentration risks within certain regions of England and Wales. To the extent that specific geographic regions within England and Wales have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in England and Wales, a concentration of the Mortgage Loans in such a region may be expected to exacerbate the risks relating to the Mortgage Loans described in this section. Certain geographic regions within England and Wales 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 Mortgage Loans and ultimately result in losses on the Notes. For an overview of the geographical distribution of the Mortgage Loans in the Provisional Portfolio, see "Characteristics of the Provisional Portfolio – Geographical distribution".

Interest-only Loans

98.95%³ of the Mortgage Loans in the Provisional Portfolio are repayable on an interest-only basis (whilst the remainder are payable on a capital repayment basis) (see "The Mortgage Loans – Repayment Terms" below). Where the Borrower is only required to pay interest during the term of the Mortgage 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 Seller does not have and the Issuer shall not have the benefit of any investment policies taken out by Borrowers.

The ability of the relevant Borrower to repay an Interest-only Loan (as defined in "The Mortgage Loans – Repayment Terms" below) 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 ("PEPs"), new individual savings accounts ("NISAs") or endowment policies (the "Policies").

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 secured by

³ Determined as a percentage of the aggregate Current Balance of the Mortgage Loans in the Provisional Portfolio on the Portfolio Reference Date

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 Mortgage Loan. Thus the ability of such a Borrower to repay an Interest-only Loan (as defined in "The Mortgage 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 pension policies, PEPs, NISAs or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest-only Loan and a loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured from Available Interest Receipts being applied for such purpose in accordance with the Pre-Enforcement Interest 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 BFL and the Portfolio Administrator, to amend the terms of its Mortgage Loan from an Interest-only Loan to a Repayment Loan, the relevant Mortgage Loan would remain with the Issuer as part of the Mortgage Portfolio, resulting in the Issuer and Noteholders receiving redemption payments on the relevant Mortgage 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.

Buy-To-Let Loans

94.66%⁴ of the Mortgage Loans in the Provisional Portfolio are Buy-To-Let Loans, in relation to which the Borrower's ability to service such Mortgage 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 Mortgage Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Mortgage 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 Mortgage Loan. Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Portfolio Administrator and/or the Special Servicer, as applicable, may not be able to obtain vacant possession of the Property, in which case the Portfolio Administrator and/or the Special Servicer, as applicable, 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 Portfolio Administrator and/or the Special Servicer, as applicable, 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 Mortgage Loan. However, enforcement procedures in relation to such 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 Mortgage Loan.

Risk of Losses associated with high loan to value Mortgage Loans

⁴ Determined as a percentage of the aggregate Current Balance of the Mortgage Loans in the Provisional Portfolio on the Portfolio Reference Date

1.18%⁵ of the Mortgage Loans in the Provisional Portfolio have a current loan to value ratio (being, in respect of a Mortgage Loan, the Current Balance of such Mortgage Loan on the date the current loan to value ratio is determined divided by the valuation of the related Property on the date of origination of such Mortgage Loan) in excess of 90 per cent. Mortgage Loans with higher loan to value ratios typically experience higher rates of delinquency, write offs, enforcement and bankruptcy than mortgage loans with lower loan to value ratios.

Risk of Losses associated with Mortgage Loans in Arrears

Some Borrowers may have breached payment or non-payment obligations under the Mortgage Loans in the period since they were originated and consequently some Mortgage Loans may be in Arrears on the Closing Date. While the Issuer will receive a degree of comfort by virtue of the Loan Warranties, Mortgage Loans in Arrears may experience higher rates of delinquency, write offs, enforcements and bankruptcy than Mortgage Loans without such Arrears or breaches.

Risk of Losses associated with self-certified Loans

2.75%⁶ of the Mortgage Loans in the Provisional Portfolio constitute mortgage loans in relation to which income and employment details of the Borrower were not substantiated by supporting documentation. The rate of delinquencies, write offs, enforcements and losses on such mortgage loans may be higher from those in respect of mortgage loans where supporting documentation has been provided in respect of the income or employment details of the Borrower.

Insurance Contracts

The Mortgage Conditions require borrowers to have buildings insurance for the relevant Property. However, it will be difficult in practice for the Portfolio Administrator and/or the Issuer to determine whether the relevant Borrower has valid insurance in place at any time. The Issuer will also have the benefit of the Mortgage Impairment Contingency Policy, which will give the Issuer certain protection should the relevant Borrower not have any valid insurance in place (see "Insurance Contracts" below). 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 Mortgage Loans

The Seller and BFL will give certain warranties to each of the Issuer and the Security Trustee regarding the Mortgage Loans and their Related Security sold to the Issuer on the Closing Date (see "Summary of the Key Transaction Documents – Mortgage Sale Agreement" below for a summary of these).

Neither the Note Trustee, the Security Trustee, the Arranger, any Joint Lead Manager nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Mortgage Loan or its Related Security in the Mortgage Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller and BFL. Mortgage 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 Mortgage Loan had such matters been revealed. The primary remedy of the Issuer against the Seller and BFL if any of the warranties made by the Seller and

⁵ Determined as a percentage of the aggregate Current Balance of the Mortgage Loans in the Provisional Portfolio on the Portfolio Reference Date

⁶ Determined as a percentage of the aggregate Current Balance of the Mortgage Loans in the Provisional Portfolio on the Portfolio Reference Date

BFL 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 or BFL to repurchase any relevant Mortgage Loan and its Related Security in accordance with the repurchase provisions in the Mortgage Sale Agreement. The Seller and BFL are jointly and severally liable for any repurchase. However, there can be no assurance that the Seller or BFL will have the financial resources to honour such obligations under the Mortgage Sale Agreement. In each case, none of the Issuer, the Security Trustee or the Note Trustee will have recourse to any other person in the event that the Seller or BFL, for whatever reason, fails to meet such obligations. Furthermore, although the Seller and the Portfolio Administrator have undertaken, pursuant to the Mortgage Sale Agreement and Administration Agreement, respectively, to notify the Issuer (and, if applicable, the Portfolio Administrator) upon becoming aware of a material breach of any Loan Warranty, there shall be no obligation on the part of the Seller or the Portfolio Administrator to monitor compliance of the Mortgage Loans with the Loan Warranties following the Closing Date. This may affect the quality of the Mortgage Loans and their Related Security in the Mortgage Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

No additional sources of funds after the Step-Up Date

With effect from the Step-Up Date, the margin on the Rated Notes and the Class G Notes will be increased. 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 Step-Up Date will be increased. In such circumstances the Issuer may not have sufficient funds to pay all amounts of interest (including the Step-Up Margin on the Rated Notes and the Class G Notes).

Limited resources of the Seller

The Seller will agree, pursuant to the Mortgage Sale Agreement on a joint and several basis with BFL, to repurchase Mortgage Loans and their Related Security in certain circumstances (as more particularly set out in "Summary of the Key Transaction Documents – Mortgage Sale Agreement" below). The Seller is a special purpose company with limited assets and funds and as such will have, after having satisfied its obligations to pay its secured creditors, limited resources available to it to repurchase any Mortgage 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. In those circumstances, only BFL will be available to repurchase such Mortgage Loans and their Related Security.

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 on land (other than timeshare accommodation) in the UK and (c) at least 40% 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 person's spouse, near relative or a borrower 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 payments and/or collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging 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 BFL) 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 as consumer credit or treated as such, or unregulated, and any credit agreement intended to be regulated as consumer credit 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 relating to consumer credit regulation 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.

Each of the Portfolio Administrator and the Special Servicer holds authorisation and permission to enter into and to administer in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange 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 Mortgage Loans. As at the Closing Date the Issuer will only hold beneficial title to the Mortgage 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 (as amended) (the "RAO"), on the basis that the Issuer will have appointed a servicer in respect of the Mortgage 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, provision 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 Mortgage 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. 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 Mortgage Loan or any other loan that the borrower has taken with the lender. 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 as consumer credit. 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 securing a Regulated Mortgage Contract to the extent that the credit agreement would, apart from the exemption referred to above, be regulated as consumer credit or treated as such. Where a credit agreement is regulated as consumer credit 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 Mortgage Loan and its Related Security is enforceable (subject to certain exceptions). If a Mortgage 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 and BFL will, upon receipt of notice from the Issuer, be jointly and severally liable to repurchase the relevant Mortgage 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 BFL) 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 mortgage loan may be subject to as a result, *inter alia*, of such mortgage loan being contained within a securitisation transaction. As a result, the rules may operate in certain circumstances to require the Portfolio Administrator and/or the Special Servicer, as applicable, 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 Mortgage 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 Mortgage 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 was proposed that the definition of the regulated activity of administering a Regulated Mortgage Contract 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, would 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, to verify the income of a borrower and (in the case of interest-only loans) to ensure that the borrower has a credible strategy to repay the capital borrowed.

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 (the "FSA 2012 Act") received royal assent. The FSA 2012 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. The FSA 2012 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. The FSA 2012 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.

In July 2014, the FCA published a Discussion Paper about the fairness of changes made to Regulated Mortgage Contracts during their term. This sets out the FCA's interpretation of how it perceives the fairness of terms allowing and the practice of varying terms of Regulated Mortgage Contracts. No new rules were proposed. The FCA is considering whether to issue additional guidance around acceptable practice or to propose new rules.

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 Mortgage Loans, BFL, the Issuer, the Portfolio Administrator, the Special 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 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. 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 BFL, 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 was 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% 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 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 Mortgage Loans and consequently the Issuer's ability to make payment in full on the Notes when due.

BFL has 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 Mortgage 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 and BFL will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Mortgage Loan and its Related Security is enforceable (subject to exceptions). If a Mortgage 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 and BFL will, upon receipt of notice from the Issuer, be jointly and severally liable to repurchase the relevant Mortgage 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 not possible to tell what effect the directive and the implementation of the directive into UK law would have on the Mortgage Loans,

the Seller, the Issuer, the Portfolio Administrator and/or the Special Servicer and their respective businesses and operations. The UK Government published final legislation on 26 January 2015. This brings all lending secured over a borrower's home and buy-to-let lending within the FCA's remit from 21 March 2016, with a six month permitted transition period for new lending before this date. It does not extend the FCA's regime to mortgages over property for mixed commercial and residential use where the majority of the property is for commercial use, or where the borrower is acting for the purposes of his business, trade or profession. The FCA is consulting on its implementation of the new regime. Its consultation on second charge mortgage lending closed on 29 December 2014 and it is due to consult on buy-to-let lending.

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 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 Mortgage 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 Mortgage 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 Mortgage Loans.

The UTCCR provide that a consumer (which would include a borrower under all or almost all of the Mortgage 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 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 BFL 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. 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 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. This has since been removed from the FCA's website as no longer reflective of the FCA's views on unfair contract terms pending new guidance on the Consumer Rights Bill and in light of wider legal developments. It is the most specific guidance that has been given on this topic and 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 strongly influential until amendments or new guidance is announced by the FCA. Based on enforcement history, the FCA's approach in respect of the regulation of the fairness of mortgage terms appears to be at least as stringent as that previously adopted by the FSA.

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 January 2012, the FSA issued a 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 which was first presented to

Parliament in January 2014. The UK Government has stated that it expects that the Consumer Rights Bill incorporating these changes will come into force in about 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 Mortgage 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 mortgage loans. If any term of the Mortgage 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 the FCA guidance will 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 BFL, the Seller, the Issuer, the Portfolio Administrator 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 Mortgage 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 Mortgage 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.

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 Mortgage Loans may result in lower recoveries and a lower repayment rate on the Notes.

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 Mortgage 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, the Originator's particular sector in that market or specifically in relation to BFL. Any such action or developments or compliance costs may have a material adverse effect on BFL, the Issuer, the Portfolio Administrator, the Special 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 Credit Guarantee Scheme, ABS Guarantee Scheme and Financial Services Compensation Scheme not applicable

On 8 October 2008, the UK Government announced the introduction of a new credit guarantee scheme pursuant to which the UK Government would make available to eligible institutions for an interim period a guarantee of new short and medium term debt issuance to assist in refinancing maturing, wholesale funding obligations as they fall due. The UK Government indicated that certain debt instruments including the Notes were not covered by the guarantee provided under the scheme and, as such, for the avoidance of doubt, the obligations of the Issuer in respect of the Notes are not guaranteed by the UK Government under the above credit guarantee scheme. This scheme was closed to new issuance on 28 February 2010 and the scheme closed upon the expiry of the final guarantee on 26 October 2012. In addition, on 19 January 2009, the UK Government announced the introduction of the asset backed securities guarantee scheme which closed on 31 December 2009. The Notes are not guaranteed by the UK Government under the asset backed securities guarantee scheme. 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.

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).

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. 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.

Risks relating to the Banking Act 2009 and the European Union Banking Recovery and Resolution Directive

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 authorised and established entities including deposit-taking institutions and investment firms and powers to recognise and give effect to certain resolution actions in respect of third country institutions and undertakings. Relevant transaction parties for these purposes include, among others, 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 action may (amongst other things) affect the ability of such entity to satisfy its 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 in 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, subject to certain conditions, powers would apply to require a relevant instrument or order (and related events) to be disregarded in determining whether certain widely defined "default events" have occurred (which events may include trigger events included in the Transaction Documents in respect of the relevant entity, including termination events and (in the case of BFL) trigger events in respect of perfection of legal title to the Mortgage Loans). 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.

As noted above, the stabilisation tools may be used in respect of certain banking group companies provided certain conditions are met. If the Issuer were to be regarded as a banking

group company and no exclusion applied, then it would be possible in certain scenarios for the relevant authority to exercise one or more relevant stabilisation tools (including the property transfer powers and/or the bail-in powers) in respect of it, which could result in reduced amounts being available to make payments in respect of the Notes and/or in the modification, cancellation or conversion of any unsecured portion of the liability of the Issuer under the Notes at the relevant time. In this regard, it should be noted that the UK authorities have provided an exclusion for certain securitisation companies, which exclusion is expected to extend to the Issuer, although aspects of the relevant provisions are not entirely clear.

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 any such instrument or order will be made, 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 Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any banking loss actually incurred.

Lastly, as a result of Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms and any relevant national implementing measures, it is possible that an institution that is established in the EU and/or certain group companies (such as the Issuer Account Bank) could be subject to certain resolution actions. Once again, any such action may affect the ability of any relevant entity to satisfy its obligations under the Transaction Documents and there can be no assurance that Noteholders will not be adversely affected as a result.

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 payments of interest or similar income paid or secured by a person established in a Member State to or for an individual resident in another Member State or certain limited types of entity established in another Member State.

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. Member States are required to apply these new requirements from 1 January 2017. The changes will 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 will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will 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.

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 rate of withholding tax in Austria

is 35%. The changes referred to above will broaden the types of payments subject to such a withholding system in Austria.

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).

If a payment by the Issuer in respect of the Notes were to be made or collected through Austria 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.

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.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

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

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

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 EU Member States may decide to participate.

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

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

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, and US Treasury regulations promulgated thereunder that took effect on 28 January 2013, as amended from time to time (together "FATCA") impose a new reporting regime and potentially a 30% 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 such investor is a U.S. person or should otherwise be treated as holding a "United States account" (as defined under FATCA) of the Issuer (a "Recalcitrant Holder").

FATCA implementation is being phased in from 01 July 2014 for payments from sources within the United States and is currently proposed to apply to "foreign passthru payments" (a term not yet defined) made by an FFI to a non-participating FFI or Recalcitrant Holder no earlier than 01 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes issued or materially modified on or 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 payment' are filed with the Federal Register; and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions announced their intention to enter into intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). In some cases such IGAs have been signed; in other cases, negotiations are still ongoing. Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, most FFIs in an IGA signatory country should be treated as a "Reporting FI" that would generally not be subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA or agreement with the IRS relating to FATCA) (any such withholding being a "FATCA Withholding") from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes or, in certain limited circumstances, where the payments are made to a Recalcitrant Holder). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required, as a Participating FFI, to make FATCA Withholdings on foreign passthru payments and payments that it makes to Recalcitrant Holders. 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 unless it is treated as exempt from having "financial accounts" for FATCA purposes. As announced in Notice 2013-43 and Notice 2014-17, the US IRS is maintaining a list of jurisdictions that will be treated as having in effect or agreed in substance with the United States an IGA, even though that IGA may not have entered into force as of 01 July 2014.

The United States and the United Kingdom have entered into an agreement (the "US-UK IGA") based largely on the Model 1 IGA and as such the Issuer will be required to comply with FATCA under national legislation implementing the US-UK IGA.

The Issuer is currently not expected to be required to make any FATCA Withholdings before 01 January 2017 from the payments it makes. There can be no assurance, however, that the Issuer would not in the future be required to deduct FATCA Withholding from future payments. Accordingly, the Issuer and financial institutions through which payments on the Notes or the 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

FPI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If a FATCA Withholding were to be made from interest, principal or other payments made in respect of the Notes or the Residual Certificates, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes or pursuant to the conditions of the Residual Certificates, be required to pay any additional amounts as a result of the FATCA Withholding. As a result, investors may receive less interest or principal than expected.

While the Notes and the Residual Certificates are in global form and held within a clearing system, it is not expected that FATCA will affect the amount of any payments made under, or in respect of, the Notes or the Residual Certificates by the Issuer or any paying agent for such clearing system, given that each of the entities in the payment chain between the Issuer and the clearing system 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, in certain specific circumstances, the Notes or the Residual Certificates may convert into definitive form and therefore cease to be held through a clearing system. If this were to happen then, depending on the circumstances, payments to a non-FATCA compliant holder could be subject to FATCA Withholding. However, conversion into definitive notes or residual certificates is only anticipated to occur in remote circumstances.

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 may also 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 that each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms and/or other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes and the Residual Certificates are discharged once it has paid the depository for the clearing system (as legal owner of the Notes) the clearing system and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the clearing systems and custodians or intermediaries.

THE FATCA PROVISIONS ARE PARTICULARLY COMPLEX AND THEIR APPLICATION TO THE ISSUER AND THE NOTES AND THE RESIDUAL CERTIFICATES IS UNCERTAIN AT THIS TIME. THE ABOVE DESCRIPTION IS BASED IN PART ON REGULATIONS, OFFICIAL GUIDANCE AND MODEL IGAs, ALL OF WHICH ARE SUBJECT TO CHANGE OR MAY BE IMPLEMENTED IN A MATERIALLY DIFFERENT FORM. NOTHING IN THIS SECTION CONSTITUTES OR PURPORTS TO CONSTITUTE TAX ADVICE AND NOTEHOLDERS AND CERTIFICATEHOLDERS ARE NOT ENTITLED TO RELY ON ANY PROVISION SET OUT IN THIS SECTION FOR THE PURPOSES OF MAKING ANY INVESTMENT DECISION, TAX DECISION OR OTHERWISE. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF THE FATCA PROVISIONS AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT IT IN ITS PARTICULAR CIRCUMSTANCES.

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, in such circumstances, the Issuer will, in accordance with Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*) of the Notes, use reasonable endeavours to prevent such an imposition in respect of payments under the Notes.

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

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 Mortgage 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. 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. No Registered Definitive Notes will be issued with a denomination above £199,000.

Book-Entry Interests

Unless and until Registered Definitive Notes are issued in exchange for the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of the Notes under the Trust Deed. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts in respect of the Notes to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests.

A nominee of the Common Depositary will be considered the registered holder of the Notes (other than the Class A Notes) as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal Noteholder of each Global Note (other than in respect of the Class A Notes) under the Trust Deed while the Notes (other than the Class A Notes) are represented by a Global Note. The Common Safekeeper will be considered the registered holder of the Class A Notes and will be the sole legal Noteholder of the Global Note in respect of the Class A Notes under the Trust Deed while the Class A Notes are represented by a 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, each Global Note will be made by the Principal Paying Agent to a nominee of the Common Depositary in the case of any Global Note (other than the Global Note in respect of the Class A Notes) or the Common Safekeeper (in the case of the Global Note in respect of the Class A Notes). 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 "Euro Zone"). 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 BFL, the Portfolio Administrator, the Special Servicer, the Issuer Account Bank and the Cash Administrator) and/or any Borrower in respect of its Mortgage 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 Mortgage 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 capital 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, any Joint Lead Manager, the Arranger or BFL 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 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"). Full implementation began from 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely effective by 2019 and some minor transitional provisions provide for phase-in until 2024). 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% 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 and accordingly the Seller, as an originator for the purposes of the CRR and the AIFM Regulation, has covenanted to retain on an ongoing basis a material net economic interest of not less than 5% in the securitisation in accordance with the text of each of Article 405 of the Capital Requirements Regulation and Article 51 of the AIFM Regulation (which, in each case, does not take into account any corresponding national measures). Such retention will be satisfied on the Closing Date by the Seller subscribing for all of the Class H Notes and the Subordinated Notes. Any change to the manner in which such interest is held will be notified to investors. Investors, who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory charges for non-compliance described in the paragraph above, should seek guidance from their regulator and/or independent advice on the issue.

With respect to the retention commitment of the Seller and with respect to the information to be made available by the Issuer or another relevant party (or, after the Closing Date, by the Portfolio Administrator or the Cash Administrator on the Issuer's behalf), please see the statements set out in the section of this Prospectus headed "*EU Risk Retention Requirements*".

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

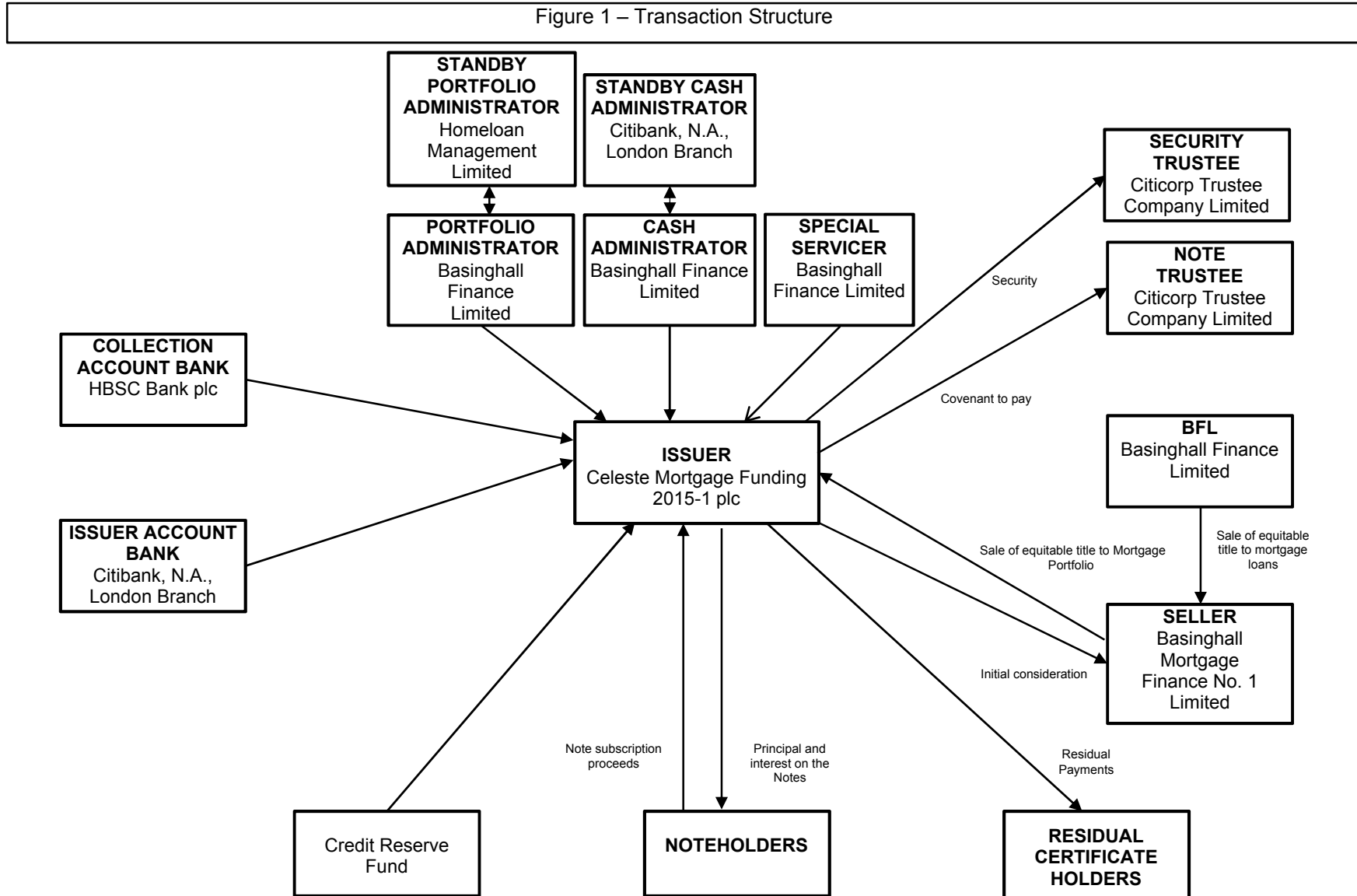
been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed 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.

Additionally, the CRA Regulation requires certain additional disclosure of information to be made in respect of structured finance transactions. The scope, extent and manner in which such disclosure should be made is detailed in the Commission Delegated Regulation 2015/13 on disclosure requirements for structured finance instruments that was published in the Official Journal on 6 January 2015. This Delegated Regulation contains technical standards specifying the information that issuers, originators and sponsors must publish to comply with the CRA Regulation, the frequency with which this information should be updated and a standardised disclosure template for the disclosure of this information. The Delegated Regulation will apply from 1 January 2017 to structured finance instruments issued after the entry into force of the Delegated Regulation on 26 January 2015. Structured finance instruments issued after the entry into force of the Delegated Regulation but before the date from which it applies will only be subject to the disclosure requirements if they are still outstanding on 1 January 2017.

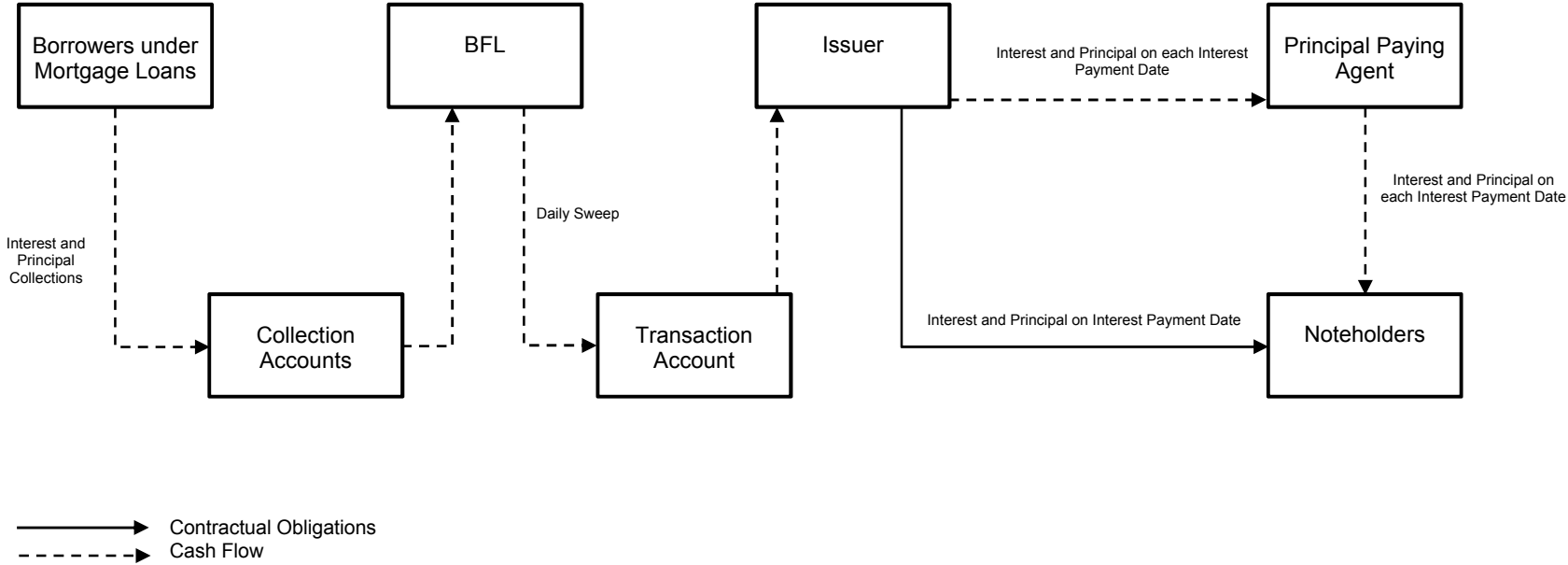
STRUCTURE DIAGRAMS

DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS

Figure 2 – Cashflow Structure



OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

Figure 3 – Ownership Structure

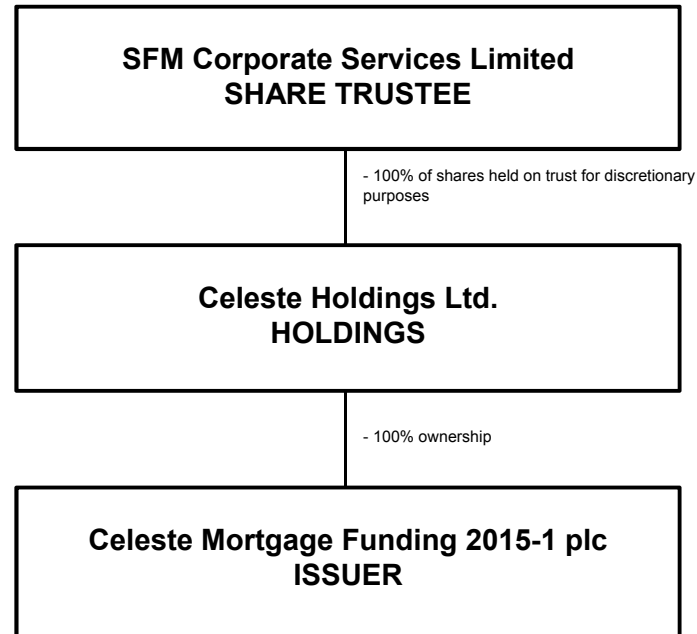


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- The Issuer is a wholly owned Subsidiary of Holdings.
- 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.

Party	Name	Address	Document under which appointed/Further Information
" <u>Issuer</u> "	Celeste Mortgage Funding 2015-1 plc	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
" <u>Holdings</u> "	Celeste Holdings Ltd.	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
" <u>Seller</u> "	Basinghall Mortgage Finance No.1 Limited	Woolgate Exchange, 25 Basinghall Street, London, United Kingdom, EC2V 5HA	Mortgage Sale Agreement between, <i>among others</i> , the Issuer and the Seller. See the sections entitled " <i>Summary of the Key Transaction Documents – Mortgage Sale Agreement</i> " and " <i>The Seller</i> " for further information.
" <u>BFL</u> "	Basinghall Finance Limited	Level 1, Newnham Mill, Newnham Road, Cambridge, England, CB3 9EY	See the section entitled " <i>Summary of the Key Transaction Documents – Mortgage Sale Agreement</i> ", " <i>Summary of the Key Transaction Documents – Administration Agreement</i> ", the " <i>The Mortgage Loans</i> ", " <i>Lending Criteria</i> ", " <i>Insurance Contracts</i> " and " <i>Basinghall Finance Limited</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
" <u>Portfolio Administrator</u> "	Basinghall Finance Limited	Level 1, Newnham Mill, Newnham Road, Cambridge, England, CB3 9EY	Administration Agreement between, <i>among others</i> , the Issuer, the Portfolio Administrator and the Cash Administrator. See the section entitled " <i>Summary of the Key Transaction Documents – Administration Agreement</i> " and " <i>Basinghall Finance Limited</i> " for further information.
" <u>Special Servicer</u> "	Basinghall Finance Limited	Level 1, Newnham Mill, Newnham Road, Cambridge, England, CB3 9EY	Special Servicing Agreement between, <i>among others</i> , the Issuer, the Special Servicer, the Portfolio Administrator and the Cash Administrator. See the section entitled " <i>Summary of the Key Transaction Documents – Special Servicing Agreement</i> " and " <i>Basinghall Finance Limited</i> " for further information.
" <u>Standby Portfolio Administrator</u> "	Homeloan Management Limited	The Pavillions, Bridgwater Road, Bristol, Avon, BS13 8AE	Standby Portfolio Administrator Agreement between, <i>among others</i> , the Issuer and the Standby Portfolio Administrator. See the section entitled " <i>Summary of the Key Transaction Documents – Standby Portfolio Administrator Agreement</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
" <u>Cash Administrator</u> "	Basinghall Finance Limited	Level 1, Newnham Mill, Newnham Road, Cambridge, England, CB3 9EY	Cash Administration Agreement between, <i>among others</i> , the Issuer, the Portfolio Administrator and the Cash Administrator. See the sections entitled " <i>Summary of the Key Transaction Documents – Cash Administration Agreement</i> " and " <i>Basinghall Finance Limited</i> " for further information.
" <u>Standby Cash Administrator</u> "	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Standby Cash Administrator Agreement by, <i>among others</i> , the Issuer and the Standby Cash Administrator. See the sections entitled " <i>Summary of the Key Transaction Documents – Standby Cash Administrator Agreement</i> " for further information.
" <u>Issuer Account Bank</u> "	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The Account Bank Agreement between, <i>among others</i> , the Issuer and the Issuer Account Bank. See the sections entitled " <i>Summary of the Key Transaction Documents – The Account Bank Agreement</i> " for further information.
" <u>Collection Account Bank</u> "	HSBC Bank PLC	8 Canada Square, Canary Wharf, London, E14 5HQ	See the section entitled " <i>Summary of the Key Transaction Documents – The Collection Account Declaration of Trust</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
<u>"Security Trustee"</u>	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Deed of Charge between, <i>among others</i> , the Issuer and the Security Trustee. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
<u>"Note Trustee"</u>	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Trust Deed between, <i>among others</i> , the Issuer and the Note Trustee. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
<u>"Principal Paying Agent"</u>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Agency Agreement between, <i>among others</i> , the Issuer and the Principal Paying Agent. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
<u>"Agent Bank"</u>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Agency Agreement between, <i>among others</i> , the Issuer and the Agent Bank. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
<u>"Registrar"</u>	Citigroup Global Markets Deutschland AG	Reuterweg 16 60323 Frankfurt Germany	Agency Agreement between, <i>among others</i> , the Issuer, the Principal Paying Agent and the Agent Bank. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
<u>"Corporate Services Provider"</u>	Structured Finance Management Limited	35 Great St. Helen's, London, EC3A 6AP	Corporate Services Agreement between, <i>among others</i> , the Issuer, Holdings and the Corporate Services Provider.
<u>"Share Trustee"</u>	SFM Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	Share Trust Deed entered into by the Share Trustee.
<u>"Arranger"</u>	Macquarie Bank Limited, London Branch	Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD	Subscription Agreement between, <i>among others</i> , the Issuer and the Arranger. See the section entitled " <i>Subscription and Sale</i> " for further information.
<u>"Joint Lead Manager"</u>	Macquarie Bank Limited, London Branch	Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD	Subscription Agreement entered into by, <i>among others</i> , the Issuer, Macquarie and Credit Suisse Securities (Europe) Limited. See the section entitled " <i>Subscription and Sale</i> " for further information.
<u>"Joint Lead Manager"</u>	Credit Suisse Securities (Europe) Limited	One Cabot Square, London, E14 4QJ	Subscription Agreement entered into by, <i>among others</i> , the Issuer, Macquarie and Credit Suisse Securities (Europe) Limited. See the section entitled " <i>Subscription and Sale</i> " for further information.

TRANSACTION OVERVIEW – MORTGAGE PORTFOLIO AND SERVICING

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

Sale of Mortgage Portfolio

The Mortgage Portfolio comprises Mortgage 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 Mortgage Loans and their Related Security are governed by English law.

The Mortgage Loans were originated by BFL, or GMAC and subsequently acquired by BFL, and the equitable title to the Mortgage Loans and their Related Security has been acquired by the Seller from BFL.

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

The terms "sale", "sell" and "sold" when used in this Prospectus in connection with the Mortgage Loans and their Related Security shall be construed to mean each such creation of an equitable interest and such equitable assignment, as applicable. The terms "repurchase" and "repurchased" when used in this Prospectus in connection with a Mortgage Loan and its Related Security shall be construed to include (A) the repurchase of the equitable interest of the Issuer in respect of such Mortgage Loan and its Related Security and (B) the purchase by BFL of such Mortgage 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 Mortgage Loans and their Related Security comprising the Mortgage Portfolio will not be given to the relevant individual or individuals specified as borrowers in respect of a Mortgage Loan or the individual or individuals (if any) from time to time assuming an obligation to repay (under a guarantee or otherwise) such Mortgage Loan or any part of it (collectively, the "Borrowers" and each a "Borrower") and the Issuer will not apply to the Land Registry to register its equitable interest in the Mortgages. Prior to the occurrence of a Perfection Event, the legal title to each Mortgage Loan and its Related Security in the Mortgage Portfolio will be held by BFL on bare trust for the Issuer. Following a Perfection Event and notice of the transfer of the Mortgage Loans and their Related Security to the Issuer being sent to the relevant Borrowers, legal title to the Mortgage Loans and their Related Security (subject to appropriate registration at the Land Registry) will pass to the Issuer.

Features of the Mortgage Loans

Except as otherwise indicated, the following is a summary of certain features of the Mortgage Loans comprising the Provisional Portfolio determined by reference to the features of each mortgage loan in

the Provisional Portfolio as at the Portfolio Reference Date and investors should refer to, and carefully consider, further details in respect of the Mortgage Loans set out in the sections of this Prospectus entitled "*The Mortgage Loans*" and "*Characteristics of the Provisional Portfolio*". The Mortgage Loans comprise mortgage loans primarily to prime or near-prime buy-to-let Borrowers, with some Mortgage Loans to prime or near-prime owner-occupying Borrowers, and all are secured by first priority charges over freehold and leasehold properties in England and Wales.

Type of Borrower	Near-Prime or Prime		
Type of Mortgage Loan	Interest Only (98.95%) and Repayment (1.05%)		
Self-certified Mortgage Loans	Yes (2.75%)		
Buy-To-Let	Yes (94.66%)		
Fast Track	No		
Number of mortgage loans in the Provisional Portfolio	1,431		
	Average	Minimum	Maximum
Current Balance	£177,895	£13,058	£2,298,365
Weighted average current LTV ⁷	83.11%	6.77%	95.18%
Weighted average seasoning (months)	86.5	65.7	136.1
Weighted average remaining Term (years)	14.1	0.0	28.04

Consideration

The consideration from the Issuer to the Seller in respect of the sale of the Mortgage Portfolio shall be: (a) the Initial Consideration, which is due and payable on the Closing Date and (b) deferred consideration consisting of the Residual Payments 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, or at the direction of, the Seller on the Closing Date.

Any Residual Payment will be paid to the Certificateholder in

⁷ Calculated by dividing the Current Balance of each Mortgage Loan as at the Portfolio Reference Date by the original value of the Property securing such Mortgage Loan.

accordance with the relevant Priority of Payments.

The Seller shall transfer to the Issuer within 2 Business Days of the Closing Date, an amount equal to the aggregate of (1) all Principal Collections received on the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio from (and including) 1 January 2015 to (but excluding) the Closing Date; and (2) the greater of (a) zero; and (b) (i) all Interest Collections received on the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio from (and including) 1 January 2015 to (but excluding) the Closing Date, less (ii) an amount equal to any Retained Accrued Interest (which the Seller will be entitled to retain).

"Initial Consideration" means an amount equal to the Current Balance of the Mortgage Loans comprising the Mortgage Portfolio determined on 1 January 2015, which is due and payable on the Closing Date.

"Retained Accrued Interest" means any interest accruing in respect of any Mortgage Loan in the period from (and including) 1 January 2015 to (but excluding) the Closing Date, provided that such Mortgage Loan is not in arrears with respect to the payment of any amount as at the Closing Date.

Representations and Warranties

The Seller and BFL will make certain Loan Warranties regarding the Mortgage Loans and Related Security to the Issuer on the Closing Date.

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

- (A) each Mortgage relating to a Mortgage Loan constitutes a valid and subsisting first legal mortgage over the relevant Property;
- (B) all the Title Deeds and Loan Files relating to the Mortgage Loans are held by, or to the order of, BFL or have been returned to the relevant Borrower's solicitors;
- (C) prior to the granting of a Basinghall Loan or, as far as BFL and the Seller are aware, a GMAC Loan, the applicable Lending Criteria of the relevant Originator in effect at the time of origination and all other conditions precedent to making such Mortgage Loan were satisfied in all material respects, subject only to such exceptions as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender;
- (D) each Property is a residential property;
- (E) each Property is located in England or Wales;
- (F) each Borrower in respect of a Basinghall Loan and, so far as the Seller or BFL is aware, each Borrower in respect of a GMAC Loan is a natural legal person and was aged 18 years or older at the date that he or she executed the relevant

Mortgage Loan;

- (G) at origination, each Borrower was resident in England and Wales or had legal right of residency in England and Wales;
- (H) no Basinghall Loan and, as far as BFL and the Seller are aware, no GMAC Loan is guaranteed by a third party;
- (I) neither BFL nor the Seller have received notice of the sequestration or (save in the case of Mortgage Loans made to three Borrowers) the death of any Borrower;
- (J) the amount of each Mortgage Loan has been fully advanced to the relevant Borrower and the Loan Agreements relating to each Mortgage Loan contain no obligation on the part of BFL to make any Further Advance or agree to any Port;
- (K) no Mortgage Loan has a final maturity beyond the date falling two years prior to the Final Maturity Date;
- (L) no scheduled contractual payment in respect of a Mortgage Loan is more than six months in Arrears;
- (M) all fees are either charged to the relevant Borrower or waived in accordance with the practice of a Reasonable, Prudent Residential Mortgage Lender. No Early Repayment Charges are payable in respect of any Mortgage Loan;
- (N) no Mortgage Loan has a Current Balance of less than £5,000 or greater than £2,350,000;
- (O) the first payment due in respect of each Mortgage Loan has been paid by the relevant Borrower;
- (P) none of the Mortgage Loans are the subject of a shared ownership arrangement where the related Mortgage is only secured over part (rather than the whole) of the beneficial interest in the Property;
- (Q) no Mortgage Loan is currently repayable in a currency other than sterling and the currency of the repayments cannot be changed by the Borrower to a currency other than sterling;
- (R) no Borrower is or has been within the last 12 months an employee or director of BFL; and
- (S) each Mortgage Loan was originated by either BFL or GMAC (and, in the case of the latter, subsequently acquired by BFL) and purchased by the Seller from BFL in the ordinary course of its business.

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

Related Security

Security in the following circumstances:

- upon a material breach of Loan Warranties (which the Seller fails to remedy within the agreed grace period); and
- in the event that BFL elects to make (i) a Port, (ii) a Further Advance or (iii) a Product Switch, in each case in relation to a Mortgage Loan in the Mortgage Portfolio.

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 Mortgage Loan and its Related Security is unfair; or
- (B) 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 BFL relating to the interest payable by or applicable to a Borrower under any Mortgage Loan,

then, subject to the receipt by the Issuer and the Security Trustee of a certificate signed by the Portfolio Administrator stating that a determination has been made under paragraph (A) or (B) above, the Issuer will serve upon the Seller and BFL a notice requiring the Seller or BFL to repurchase the relevant Mortgage Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement.

"Further Advance" means, in relation to a Mortgage Loan, any advance of further money to the relevant Borrower following the advance of the initial principal amount by the relevant Originator to the relevant Borrower under such Mortgage Loan (the "Initial Advance") which is secured by the same Mortgage as the Initial Advance, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage.

"Port" means the transfer of the Mortgage in respect of a Mortgage 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 Mortgage Loan.

"Product Switch" means any variation in the financial terms and conditions applicable to a Mortgage Loan other than any variation:

- (A) agreed with the Borrower to control or manage actual or anticipated arrears on the Mortgage Loan;
- (B) in the maturity date of the Mortgage Loan (unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes in which case such variation will constitute a Product Switch);

- (C) imposed by statute;
- (D) in the rate of interest payable in respect of a Mortgage Loan
 - (i) as a result of any variation in the floating mortgage rate or
 - (ii) where the terms of the Mortgage change the rate of interest payable by a Borrower;
- (E) in the frequency with which the interest payable in respect of the Mortgage Loan is charged; or
- (F) agreed with a Borrower to change the Mortgage Loan from an Interest-only Loan to a Repayment Loan.

Consideration for repurchase

Other than in respect of a repurchase by the Seller of the Mortgage 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 aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10% of the aggregate Principal Amount Outstanding of the Notes on the Closing Date, the consideration payable by the Seller or BFL in respect of the repurchase of an affected Mortgage Loan and its Related Security shall be equal to the Current Balance of such Mortgage Loan (disregarding for the purposes of any such calculation any porting in relation to such Mortgage Loan) on the relevant date of any such repurchase, plus the Issuer's reasonable costs and expenses (if any) associated with the transfer of such Mortgage Loan and its Related Security to the Seller or BFL (as the case may be). See the section entitled "*Summary of the Key Transaction Documents—Repurchase by the Seller and BFL – Repurchase price*" for further information.

Perfection Events

Prior to the completion of the transfer of legal title to the Mortgage Loans and their Related Security to the Issuer following a Perfection Event, legal title to the Mortgage Loans and their Related Security will remain with BFL and the Issuer will hold only the equitable title and will therefore be subject to certain risks as set out in the risk factor entitled "*Originator to initially retain legal title to the Mortgage Loans and risks relating to set-off*" in the section entitled "*Risk Factors*".

Pursuant to the Mortgage Sale Agreement, prior to the completion of the transfer of legal title to the Mortgage Loans and their Related Security to the Issuer, BFL will hold the legal title to the Mortgage Loans and their Related Security in the Mortgage Portfolio (but excluding any Mortgage Loan and its Related Security which has been repurchased by the Seller or BFL) on bare trust for the Issuer.

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

Administration of the Mortgage Portfolio

The Portfolio Administrator agrees to service the Mortgage Loans and their Related Security on behalf of the Issuer and, where applicable, BFL. Following the service of an Enforcement Notice, the Portfolio Administrator shall act at the direction of the Security Trustee. The appointment of the Portfolio Administrator may be terminated by the Issuer and/or the Security Trustee if any Portfolio

Administrator Termination Event occurs and is continuing (see "*Portfolio Administrator Termination Events*" in the "*Transaction Overview – Triggers Tables–Non-Rating Triggers Table*").

The Portfolio Administrator may also resign by giving not less than 12 months' notice to the Issuer and the Security Trustee and subject to, *inter alia*, the Standby Portfolio Administrator having been appointed.

The Portfolio Administrator shall delegate performance of the Portfolio Management Services to HML pursuant to the HML Delegation Agreement unless certain conditions are met.

See the section entitled "*Summary of the Key Transaction Documents – Administration Agreement*" below.

Special servicing of the Mortgage Portfolio

The Special Servicer agrees to provide certain special services in respect of the Mortgage Loans and their Related Security on behalf of the Issuer and, where applicable, BFL. Following the service of an Enforcement Notice, the Special Servicer shall act at the direction of the Security Trustee. The appointment of the Special Servicer may be terminated by the Issuer and/or the Security Trustee if any Special Servicer Termination Event occurs and is continuing (see "*Special Servicing Termination Events*" in the "*Transaction Overview – Triggers Tables – Non-Rating Triggers Table*").

The Special Servicer may also resign by giving not less than 12 months' notice to the Issuer and the Security Trustee and subject to, *inter alia*, a replacement special servicer having been appointed.

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

Seller may repurchase the Mortgage Portfolio (a) on any Business Day falling in an Optional Repurchase Period or (b) if the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) is equal to or less than 10% of the aggregate Principal Amount Outstanding of the Notes on the Closing Date

On any Business Day falling (a) in an Optional Repurchase Period or (b) on and from any Cut-Off Date on which the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) was equal to or less than 10% of the aggregate Principal Amount Outstanding of the Notes on the Closing Date but on or before the Calculation Date after such Cut-Off Date, the Seller may offer to purchase, and the Issuer may, in its absolute discretion, accept such offer to purchase all (but not some) of the Mortgage Portfolio at its Optional Repurchase Price (without exercise of any set off or other netting rights). See the section entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*", below.

TRANSACTION OVERVIEW – SUMMARY 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 F Notes	Class G Notes	Class H Notes	Subordinated Notes
Principal Amount:	£161,905,000	£29,275,000	£23,929,000	£10,692,000	£9,164,000	£3,819,000	£6,364,000	£9,419,000	£3,590,000
Credit enhancement features:	Overcollateralisation funded by other Notes (other than the Subordinated Notes), Interest Collections remaining after payment of interest on Class A Notes and all other amounts ranking in priority thereto and the availability of the Credit Reserve Fund Available Amount	Overcollateralisation funded by other Notes (other than the Class A Notes and the Subordinated Notes), Interest Collections remaining after payment of interest due in respect of the Class B Notes and all other amounts ranking in priority thereto and the availability of the Credit Reserve Fund Available Amount	Overcollateralisation funded by other Notes (other than the Class A Notes, the Class B Notes and the Subordinated Notes) and Interest Collections remaining after payment of interest due in respect of the Class C Notes and all other amounts ranking in priority thereto and the availability of the Credit Reserve Fund Available Amount	Overcollateralisation funded by the Class E Notes, the Class F Notes and the Class H Notes and Interest Collections remaining after payment of interest due in respect of the Class D Notes and all other amounts ranking in priority thereto and the availability of the Credit Reserve Fund Available Amount	Overcollateralisation funded by the Class F Notes, the Class G Notes and the Class H Notes and Interest Collections remaining after payment of interest due in respect of the Class E Notes and all other amounts ranking in priority thereto and the availability of the Credit Reserve Fund Available Amount	Overcollateralisation funded by the Class G Notes and the Class H Notes and Interest Collections remaining after payment of interest due in respect of the Class F Notes and all other amounts ranking in priority thereto and the availability of the Credit Reserve Fund Available Amount	Overcollateralisation funded by the Class H Notes and the availability of the Credit Reserve Fund Available Amount	The availability of the Credit Reserve Fund Available Amount	None
Liquidity support features	Subordination in payment of all other Classes of Notes, Available Principal Receipts applied as Senior Principal	Subordination in payment of all other Classes of Notes other than the Class A Notes, Available Principal Receipts	Subordination in payment of all other Classes of Notes other than the Class A Notes and the Class B Notes,	Subordination in payment of all other Classes of Notes other than the Class A Notes, the Class B Notes and the	Subordination in payment of the Class F Notes and the Unrated Notes, Available Principal Receipts applied as	Subordination in payment of the Unrated Notes, Available Principal Receipts applied as Senior Principal	Subordination in payment of the Class H Notes and Subordinated Notes.	Subordination in payment of the Subordinated Notes.	None

	Reallocati on Amounts to provide for any Interest Shortfall and amounts credited to the Credit Reserve Fund	applied as Senior Principal Reallocatio n Amounts to provide for any Interest Shortfall and the amounts credited to the Credit Reserve Fund	Available Principal Receipts applied as Senior Principal Reallocatio n Amounts to provide for any Interest Shortfall and the amounts credited to the Credit Reserve Fund	Class C Notes, Available Principal Receipts applied as Senior Principal Reallocatio n Amounts to provide for any Interest Shortfall and the amounts credited to the Credit Reserve Fund	Senior Principal Reallocatio n Amounts to provide for any Interest Shortfall and the amounts credited to the Credit Reserve Fund	Reallocatio n Amounts to provide for any Interest Shortfall and the amounts credited to the Credit Reserve Fund.			
Issue Price:	98.94%	97.51%	97.06%	96.77%	93.72%	91.25%	100%	146.76%	100%
Reference Rate ⁸ :	Three Month LIBOR	Three Month LIBOR	Three Month LIBOR	Three Month LIBOR	Three month LIBOR	Three month LIBOR	Three month LIBOR	Three month LIBOR	Three month LIBOR
Margin (payable up to but excluding the Step-Up Date)	0.85% p.a.	1.07% p.a.	1.27% p.a.	1.70% p.a.	2.10% p.a	2.50% p.a	4.50% p.a	1.00% p.a	1.00% p.a
Interest Accrual Method:	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)
Interest Payment Dates:	15 th day of March, June, September and December in each year	15 th day of March, June, September and December in each year	15 th day of March, June, September and December in each year	15 th day of March, June, September and December in each year	15 th day of March, June, September and December in each year	15 th day of March, June, September and December in each year	15 th day of March, June, September and December in each year	15 th day of March, June, September and December in each year	15 th day of March, June, September and December in each year
First Interest Payment Date	June 2015	June 2015	June 2015	June 2015	June 2015	June 2015	June 2015	June 2015	June 2015
Final Maturity Date:	The Interest Payment Date falling in March 2045	The Interest Payment Date falling in March 2045	The Interest Payment Date falling in March 2045	The Interest Payment Date falling in March 2045	The Interest Payment Date falling in March 2045	The Interest Payment Date falling in March 2045	The Interest Payment Date falling in March 2045	The Interest Payment Date falling in March 2045	The Interest Payment Date falling in March 2045

⁸ Except in respect of the first Interest Period, where the Reference Rate will be the linear interpolation of LIBOR or EURIBOR, as applicable, for one and three month deposits in Sterling or Euro, as applicable.

Margin (payable from and including the Step-Up Date)	1.275% p.a.	1.605% p.a.	1.905% p.a.	2.55% p.a.	3.57% p.a.	4.50% p.a.	8.10% p.a.	N/A	N/A.
Optional Redemption Date:	The Interest Payment Date falling in March 2018	The Interest Payment Date falling in March 2018	The Interest Payment Date falling in March 2018	The Interest Payment Date falling in March 2018	The Interest Payment Date falling in March 2018	The Interest Payment Date falling in March 2018	The Interest Payment Date falling in March 2018	The Interest Payment Date falling in March 2018	The Interest Payment Date falling in March 2018
Step-Up Date:	The Interest Payment Date falling in March 2020	The Interest Payment Date falling in March 2020	The Interest Payment Date falling in March 2020	The Interest Payment Date falling in March 2020	The Interest Payment Date falling in March 2020	The Interest Payment Date falling in March 2020	The Interest Payment Date falling in March 2020	N/A	N/A
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	Irish Stock Exchange	Irish Stock Exchange
ISIN:	XS1200783212	XS1200785183	XS1200785423	XS1200786074	XS1200786660	XS1200787049	XS1200787395	XS1200787551	XS1200787718
Common Code:	120078321	120078518	120078542	120078607	120078666	120078704	120078739	120078755	120078771
Ratings (DBRS/S&P):	AAA _(sf) / AAA _(sf)	AA _(sf) / AA _(sf)	A _(sf) / A _(sf)	BBB _(sf) / BBB _(sf)	BB _(sf) / BB _(sf)	B _(sf) / B _(sf)	Not Rated	Not Rated	Not Rated
Minimum Denomination	£100,000	£100,000	£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	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.

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 March 2050 (the "Class A Notes");
- Class B Mortgage Backed Floating Rate Notes due March 2050 (the "Class B Notes");
- Class C Mortgage Backed Floating Rate Notes due March 2050 (the "Class C Notes");
- Class D Mortgage Backed Floating Rate Notes due March 2050 (the "Class D Notes");
- Class E Mortgage Backed Floating Rate Notes due March 2050 (the "Class E Notes");
- Class F Mortgage Backed Floating Rate Notes due March 2050 (the "Class F Notes");
- Class G Mortgage Backed Floating Rate Notes due March 2050 (the "Class G Notes");
- Class H Mortgage Backed Floating Rate Notes due March 2050 (the "Class H Notes");
- Subordinated Floating Rate Notes due March 2050 (the "Subordinated Notes");

and together, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes are the "Rated Notes" and the Class G Notes, the Class H Notes and the Subordinated Notes are the "Unrated Notes". The Rated Notes together with the Unrated Notes are the "Notes", the holders of the Notes, the "Noteholders", and the Notes of each class, a "Class".

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 Mortgage 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 and principal at all times, but subordinate to the Class A Notes.

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

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

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

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

The Class G 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 the Rated Notes.

The Class H 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 the Rated Notes and the Class G 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 the Rated Notes, the Class G Notes and the Class H Notes.

The Residual Certificates are subordinate to all rights of payment of interest and principal on the Notes.

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 assigned, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in and to the Transaction Documents (other than the Trust Deed and the Deed of Charge) and any sums derived therefrom;
- (B) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's interest in the Mortgage Loans and their Related Security and other related rights comprised in the Mortgage Portfolio and any sums derived therefrom;
- (C) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit, in, to and under Insurance Contracts assigned to the Issuer pursuant to the Mortgage Sale Agreement;
- (D) a charge by way of first fixed charge over the Issuer's interest in its bank accounts (including the Transaction Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums standing to the credit thereof;
- (E) 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);
- (F) a charge by way of first fixed charge over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer or the Cash Administrator on its behalf; 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.

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 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*).

Gross-up

None of the Issuer or any Paying Agent or any other person will be obliged to gross-up if there is any withholding or deduction 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 March 2045 (the "Final Maturity Date"), as fully set out in Condition 8.1 (*Redemption at Maturity*);
- prior to the service of an Enforcement Notice, mandatory redemption of each Class of Notes on each Interest Payment Date in accordance with Condition 8 (*Redemption*);
- optional redemption of the Notes exercisable by the Issuer in whole (a) on each Interest Payment Date on and from the Optional Redemption Date or (b) on any Interest Payment Date on which the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10% of the aggregate Principal Amount Outstanding of the 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 any of the Notes to remain outstanding) 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 8.4 (*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.

"Optional Redemption Date" means the Interest Payment Date falling in March 2018.

Expected Average Lives of the Notes

The actual average lives of the Notes cannot be stated, as the actual rate of repayment of the Mortgage Loans and redemption of the Mortgage 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 10 (*Events of Default*), which includes, among other events, (where relevant, subject to the applicable grace period):

- in respect of the Notes only, subject to the deferral provisions in Condition 18 (*Subordination by Deferral*), non-payment of interest and/or principal in respect of the Most Senior Class of Notes and such non-payment continues for a period of three Business Days in the case of interest and five

Business Days in the case of principal;

- in respect of the Residual Certificates only, failure to pay any amount due in respect of the Residual Certificates and the default continues for more than 14 Business Days;
- 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.

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.

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.

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% of the aggregate Principal Amount Outstanding of the Notes then outstanding are entitled to convene a Noteholders' 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, 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% of the Principal Amount Outstanding of the Most Senior Class of Notes, or if an Extraordinary Resolution of the holders of the Most Senior Class of Notes 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

Initial meeting

Adjourned meeting

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 25 per cent. of the 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, for transaction of 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 10 per cent. of the Residual Certificates then in issue, as applicable, for transaction of business including the consideration of an

business including the consideration of an Ordinary Resolution. The quorum for considering 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% of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 50% of the Residual Certificates then in issue, as applicable. The quorum for considering a Basic Terms Modification at a meeting of any affected Class or Classes of Notes or (if affected) of the Residual Certificates, shall be one or more persons eligible to attend and vote at such meeting holding or representing, in the case of any affected Class or Classes of Notes, in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes and, in the case of the Residual Certificates, holding or representing not less than 75 per cent. of the Residual Certificates then in issue.

Ordinary Resolution. The quorum for considering 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% of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 25% of the Residual Certificates then in issue, as applicable. The quorum for considering a Basic Terms Modification at a meeting of any affected Class or Classes of Notes or (if affected) of the Residual Certificates, shall be one or more persons eligible to attend and vote at such meeting holding or representing in the aggregate not less than 75% of the aggregate Principal Amount Outstanding of such Class or Classes of Notes and, in the case of the Residual Certificates, holding or representing not less than 75% 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.

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

Required majority for a written resolution or voting by way of electronic consents: Not less than three-quarters in 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 (if it is to take effect as an Extraordinary Resolution) or a clear majority in Principal Amount Outstanding of the relevant Class of Notes or a clear majority in number of Residual Certificates then in issue (if it is to take effect as an Ordinary 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 8.4 (*Optional Redemption for Taxation or Other Reasons*), Condition 13.19 (*Issuer Substitution Condition*) or Residual Certificates Condition 12.19 (*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 remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to authorise the Note Trustee, 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 12 (*Enforcement*) in the section entitled "*Terms and Conditions of the Notes*" for more detail.

Relationship between
Classes of Noteholders
and Certificateholders

Subject to the provisions governing a Basic Terms Modification, an Extraordinary 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 Principal 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:

- (A) 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;
- (B) Notes of more than one Class but does not give rise to an actual or potential conflict of interest between the holders of such Notes of more than one Class shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of the Notes of each such Class;
- (C) one or more Classes of Notes and the Residual Certificates and gives or may give rise to, an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed only if 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 the holders of each such Class of Notes so

affected and the Residual Certificates;

- (D) one or more Classes of Notes and/or the Residual Certificates but does not give rise to, an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected and/or the Residual Certificates; and
- (E) two or more Classes of Notes and gives, or may give, rise to an actual or potential conflict of interest between the holders of such Classes of Notes, shall be deemed to have been duly passed only if 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 the holders of each such Class of Notes so affected.

"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 other Secured Creditors.

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 Principal 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 are outstanding and there is a conflict between the interests of the Noteholders, the Certificateholders and the other Secured Creditors, the Security Trustee will take into account the interests of the Noteholders only in the exercise of its discretion. So long as the Notes have been redeemed in full but any Secured Obligations remain outstanding and there is a conflict between Certificateholders and the Secured Creditors (other than the Noteholders and the Certificateholders), the Security Trustee will take into account the interests of the Certificateholders (and not the other Secured Creditors) only in the exercise of its discretion.

"Secured Obligations" means any and all of the monies and liabilities which the Issuer covenants and undertakes to pay or

discharge under the Deed of Charge.

Relevant Person as
Noteholder or
Certificateholder

For certain purposes, including the determination as to whether Notes are deemed outstanding or Residual Certificates are deemed still in issue, for the purposes of convening a meeting of Noteholders or Certificateholders, those Notes or Residual Certificates (if any) which are for the time being held by or on behalf of or for the benefit of the Seller and BFL, any Holding Company of any of them or any other Subsidiary of either such Holding Company (each such entity a "Relevant Person"), in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding or in issue, except where all of the Notes of any Classes or all of the Residual Certificates are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Classes of Notes (the "Relevant Class of Notes") and such Residual Certificates shall be deemed to remain outstanding or in issue (as the case may be), except that, if there is any other Class of Notes ranking senior to the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such senior Class, then the Relevant Class of Notes shall be deemed not to remain outstanding.

Provision of Information
to the Noteholders and
Certificateholders

The Cash Administrator on behalf of the Issuer will publish the monthly investor report detailing, among other things, certain aggregated loan file data in relation to the Mortgage 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 quarterly basis. The loan level information will be published on the website at <https://sf.citidirect.com>. The website <https://sf.citidirect.com> and the contents thereof do not form part of the Prospectus.

Communication with
Noteholders

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

- (A) Subject to paragraph (D) below, 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, 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 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 Notes, 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.

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 are then listed, quoted and/or traded and provided that notice of such other method is given to Noteholders in such manner as the Note Trustee shall require.

TRANSACTION OVERVIEW - CREDIT STRUCTURE AND CASHFLOWS

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 Receipts of the Issuer Prior to an Enforcement Notice being served on the Issuer, the Cash Administrator on behalf of the Issuer will apply Available Interest Receipts and Available Principal Receipts on each Interest Payment Date in accordance with the Pre-Enforcement Interest Priority of Payments and the Pre-Enforcement Principal Priority of Payments respectively, as set out below.

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

- (A) Interest Collections or, if in a Determination Period, Calculated Interest Collections, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date, received (i) during the immediately preceding Collection Period (after deducting, in the case of the first Collection Period only, an amount equal to any Retained Accrued Interest); or (ii) if representing amounts received in respect of any repurchases of Mortgage Loans and their Related Security by the Seller and/or BFL pursuant to the Mortgage Sale Agreement, from but excluding the Monthly Pool 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 (A) the immediately preceding Monthly Pool Date or (B) in respect of a repurchase by the Seller to effect a redemption in full of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*), the immediately preceding Calculation Date;
- (B) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period and income from any Authorised Investments to be received on or prior to the Interest Payment Date;
- (C) the Credit Reserve Fund Available Amount;
- (D) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Interest Receipts in accordance with Condition 6.9(C) (*Determinations and Reconciliation*);
- (E) amounts credited to the Transaction Account on the previous Interest Payment Date in accordance with item (W) of the Pre-Enforcement Interest Priority of Payments;
- (F) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Collections and without double-counting the amounts described in paragraphs (A) to (E) above,

less:

- (G) 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):
- certain costs and expenses charged by the Portfolio Administrator in respect of its servicing of the Mortgage Loans, other than any Portfolio Administration Fee and not otherwise covered by the items below;
 - certain costs and expenses charged by the Special Servicer, in respect of its servicing of the Mortgage Loans, other than any Special Servicing Fee and not otherwise covered by the items below;
 - payments of certain insurance premiums in respect of the Mortgage Impairment Contingency Policy (to the extent referable to the Mortgage Loans);
 - 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
 - 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 (G) being collectively referred to herein as "Third Party Amounts");

- (H) 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
- (I) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to a Collection Account or to pay any amounts due to the Collection Account Bank.

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

- (A) all Principal Collections or, if in a Determination Period, any Calculated Principal Collections, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Interest 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 Mortgage Loans and their Related Security that were repurchased by the Seller and/or BFL pursuant to the Mortgage Sale Agreement, received by

the Issuer from but excluding the Monthly Pool 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 (A) the immediately preceding Monthly Pool Date or (B) in respect of a repurchase by the Seller to effect a redemption in full of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*), the immediately preceding Calculation Date;

- (B) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Interest Priority of Payments, to be the amount by which the debit balance of the Principal Deficiency Ledger is to be reduced on that Interest Payment Date;
- (C) any amounts deemed to be Available Principal Receipts in accordance with item (S) of the Pre-Enforcement Interest Priority of Payments (the "Additional Available Principal Funds");
- (D) on the Final Rated Note Redemption Date only, all amounts standing to the credit of the Credit Reserve Fund Ledger, after first having applied the Credit Reserve Fund Available Amount as Available Interest Receipts pursuant to the Pre-Enforcement Interest Priority of Payments and any Credit Reserve Fund Liquidity Release Amount to meet any Remaining Interest Shortfall on such Interest Payment Date and after amounts have been credited to the Credit Reserve Fund in accordance with the Pre-Enforcement Interest Priority of Payments; and
- (E) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 6.9(C) (*Determinations and Reconciliation*).

"Final Rated Note Redemption Date" means the Interest Payment Date in respect of which the Cash Administrator determines on the immediately preceding Calculation Date that, following the application on such Interest Payment Date of (i) Available Interest Receipts in accordance with the Pre-Enforcement Interest Priority of Payments; (ii) any Senior Principal Reallocation Amounts in meeting any Interest Shortfall; and (iii) any Credit Reserve Fund Liquidity Release Amount in meeting any Remaining Interest Shortfall, the sum of the Available Principal Receipts (other than item (D) of the definition thereof), and all amounts standing to the credit of the Credit Reserve Fund Ledger 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 Condition 8.3 (*Optional Redemption of the Notes in Full*) or Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*).

"Pre-Enforcement Priority of Payments" means the Pre-Enforcement Interest Priority of Payments and the Pre-Enforcement Principal

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 Interest</u> <u>Priority of Payments:</u>	<u>Pre-Enforcement Principal</u> <u>Priority of Payments:</u>	<u>Post-Enforcement Priority of</u> <u>Payments:</u>
(a) Amounts due to the Note Trustee and the Security Trustee and any Appointee thereof including charges, liabilities, fees, costs and expenses	(a) Senior Principal Reallocation Amounts to be applied to meet any Interest Shortfall	(a) Amounts due in respect of the Receiver, 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 Portfolio Administrator (other than the Subordinated Portfolio Administration Fee), the Standby Portfolio Administrator, the Special Servicer, the Cash Administrator, the Standby Cash Administrator, the Corporate Services Provider and the Issuer Account Bank, in each case including all fees and costs	(b) On any Interest Payment Date prior to the Final Rated Note Redemption Date, Credit Reserve Reallocation Amounts to be applied to meet any Credit Reserve Liquidity Shortfall	(b) <i>Pro rata and pari passu</i> to amounts due in respect of the Agent Bank, the Registrar, the Paying Agent, the Portfolio Administrator (other than the Subordinated Portfolio Administration Fee), the Standby Portfolio Administrator, the Special Servicer, the Cash Administrator, the Standby Cash Administrator, the Corporate Services Provider and the Issuer Account Bank, in each case including all fees and costs
(c) Third party expenses	(c) <i>Pro rata and pari passu</i> to the principal amounts due on the Class A 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 B 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 C Notes	(e) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class C Notes
(f) Amounts to be credited to the Principal Deficiency Ledger to	(f) <i>Pro rata and pari passu</i> to the principal amounts due on the	(f) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the

	the extent of any debit balance in excess of the aggregate Principal Amount Outstanding of the Classes of Notes (other than the Class A Notes and the Subordinated Notes)	Class D Notes	Class D Notes
(g)	<i>Pro rata and pari passu</i> to the interest due on the Class B Notes	(g) <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 amounts of interest and principal due on the Class E Notes
(h)	Amounts to be credited to the Principal Deficiency Ledger to the extent of any debit balance in excess of the aggregate Principal Amount Outstanding of the Notes (other than the Class A Notes, the Class B Notes and the Subordinated Notes)	(h) <i>Pro rata and pari passu</i> to the principal amounts due on the Class F Notes	(h) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class F Notes
(i)	<i>Pro rata and pari passu</i> to the interest due on the Class C Notes	(i) On any Interest Payment Date falling after the Step-Up Date, to provide <i>pro rata</i> and <i>pari passu</i> to the interest due on the Class G Notes	(i) Subordinated Portfolio Administration Fee
(j)	Amounts to be credited to the Principal Deficiency Ledger to the extent of any debit balance in excess of the aggregate Principal Amount Outstanding of the Notes (other than the Class A Notes, the Class B Notes, the Class C Notes and the Subordinated Notes)	(j) <i>Pro rata and pari passu</i> to the principal amounts due on the Class G Notes	(j) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class G Notes
(k)	<i>Pro rata and pari passu</i> to the interest due on the Class D Notes	(k) On any Interest Payment Date falling after the Step-Up Date, to provide <i>pro rata</i> and <i>pari passu</i> to the interest due on the Class H Notes	(k) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class H Notes

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| <p>(l) Amounts to be credited to the Principal Deficiency Ledger to the extent of any debit balance in excess of the aggregate Principal Amount Outstanding of the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes</p> | <p>(l) <i>Pro rata and pari passu</i> to the principal amounts due on the Class H Notes</p> | <p>(l) <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Subordinated Notes</p> |
| <p>(m) <i>Pro rata and pari passu</i> to the interest due on the Class E Notes</p> | <p>(m) On any Interest Payment Date falling after the Step-Up Date, to provide <i>pro rata</i> and <i>pari passu</i> to the interest due on the Subordinated Notes</p> | <p>(m) <i>Pro rata and pari passu</i> to the amounts due and payable to third parties (if any)</p> |
| <p>(n) Amounts to be credited to the Principal Deficiency Ledger to the extent of any debit balance in excess of the aggregate Principal Amount Outstanding of the Class F Notes, the Class G Notes and the Class H Notes</p> | <p>(n) <i>Pro rata and pari passu</i> to the principal amounts due on the Subordinated Notes</p> | <p>(n) Payments on the Residual Certificates</p> |
| <p>(o) <i>Pro rata and pari passu</i> to the interest due on the Class F Notes</p> | <p>(o) Payments on the Residual Certificates</p> | |
| <p>(p) Amounts to be credited to the Principal Deficiency Ledger to the extent of any debit balance in excess of the Principal Amount Outstanding of the Class G Notes and the Class H Notes</p> | | |
| <p>(q) Amounts to be credited to the Credit Reserve Fund Ledger to replenish the Credit Reserve Fund up to the Credit Reserve Fund Target Amount</p> | | |
| <p>(r) Subordinated Portfolio</p> | | |

Administration Fee

- (s) On any Interest Payment Date falling after the Step-Up Date, all amounts to be applied as Available Principal Receipts
- (t) *Pro rata* and *pari passu* to the interest due on the Class G Notes
- (u) *Pro rata* and *pari passu* to the interest due on the Class H Notes
- (v) *Pro rata* and *pari passu* to the interest due on the Subordinated Notes
- (w) On any Interest Payment Date falling within a Determination Period, to be credited to the Transaction Account to be applied on the next Interest Payment Date as Available Interest Receipts
- (x) Payments on the Residual Certificates

General Credit Structure The credit structure of the transaction includes the following elements:

- pursuant to item (A) of the Pre-Enforcement Principal Priority of Payments, to the extent that after application of the Available Interest Receipts in accordance with the Pre-Enforcement Interest Priority of Payments, there is an Interest Shortfall, the Issuer shall apply an amount of Available Principal Receipts equal to such Interest Shortfall ("Senior Principal Reallocation Amounts") in meeting such Interest Shortfall against the relevant items in the Pre-Enforcement Interest Priority of Payments in such order of priority as such items appear in the Pre-Enforcement Interest Priority of Payments;
- pursuant to item (B) of the Pre-Enforcement Principal Priority of Payments, to the extent that after application of Available Interest Receipts in accordance with the Pre-Enforcement Priority of Payments on any Interest Payment Date up to but excluding the Final Rated Note Redemption Date, there is a

Credit Reserve Liquidity Shortfall, the Issuer shall apply an amount of Available Principal Receipts equal to the Credit Reserve Liquidity Shortfall ("Credit Reserve Reallocation Amounts") and, together with any Senior Principal Reallocation Amounts, "Principal Reallocation Amounts") in meeting such Credit Reserve Liquidity Shortfall by crediting such Credit Reserve Reallocation Amounts to the Credit Reserve Fund Liquidity Sub-Ledger. Any Available Principal Receipts applied as Principal Reallocation Amounts will be recorded as a debit to the Principal Deficiency Ledger;

- the availability of the Credit Reserve Fund, funded on the Closing Date up to the Initial Credit Reserve Fund Amount by part of the proceeds of the Subordinated Noteholders' subscription of the Subordinated Notes. An amount equal to the Credit Reserve Fund Available Amount will be debited from the Credit Reserve Fund and will be applied as Available Interest Receipts on each Interest Payment Date falling prior to the Final Rated Note Redemption Date. On each such Interest Payment Date, to the extent that there would be a Remaining Interest Shortfall on such Interest Payment Date, an amount equal to the Credit Reserve Fund Liquidity Release Amount shall be debited from the Credit Reserve Fund Liquidity Sub-Ledger immediately prior to the application of Available Interest Receipts pursuant to the Pre-Enforcement Priority of Payments on such Interest Payment Date and applied to cure such Remaining Interest Shortfall. Any Credit Reserve Fund Liquidity Release Amount will be applied to meet any Remaining Interest Shortfall against the relevant items in the Pre-Enforcement Interest Priority of Payments in such order of priority as such items appear in the Pre-Enforcement Interest Priority of Payments. After the Closing Date, the Credit Reserve Fund will be replenished up to the Credit Reserve Fund Target Amount on each Interest Payment Date up to and including the Final Rated Note Redemption Date from Available Interest Receipts in accordance with the Pre-Enforcement Interest Priority of Payments. In the event that there is insufficient Available Interest Receipts available to replenish the Credit Reserve Fund up to at least the Credit Reserve Fund Target Liquidity Amount on any applicable Interest Payment Date, a Credit Reserve Liquidity Shortfall will arise, to which Credit Reserve Reallocation Amounts will be applied (to the extent available out of Available Principal Receipts pursuant to the Pre-Enforcement Principal Priority of Payments). See the section "*Credit Structure – Credit Reserve Fund and Credit Reserve Fund Ledger*";

On the Final Rated Note Redemption Date only, all amounts standing to the credit of the Credit Reserve Fund Ledger (after first having applied the Credit Reserve Fund Available Amount and any Credit Reserve Fund Liquidity Release Amount on such date, and after amounts have been credited to the Credit Reserve Fund in accordance with the Pre-Enforcement Interest Priority of Payments), will be applied as Available Principal Receipts in accordance with the Pre-

Enforcement Principal Priority of Payments;

- the Principal Deficiency Ledger will be established to record as a debit any Losses on the Mortgage Portfolio and any Principal Reallocation Amounts and to record as a credit, any Available Interest Receipts applied as Available Principal Receipts (including any amounts in respect of Additional Available Principal Funds) pursuant to the Pre-Enforcement Interest Priority of Payments. Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Mortgage Loan firstly to outstanding fees and interest amounts due and payable on the relevant Mortgage Loan. See the section "*Credit Structure – Principal Deficiency Ledger*" below;
- pursuant to item (S) of the Pre-Enforcement Interest Priority of Payments, on any Interest Payment Date falling after the Step-Up Date and after having paid or provided for items of higher priority in the Pre-Enforcement Interest Priority of Payments, the Issuer will treat any remaining Available Interest Receipts as Additional Available Principal Funds and such amounts will be applied as Available Principal Receipts to be applied in accordance with the Pre-Enforcement Principal Priority of Payments. Any amounts applied as Additional Available Principal Funds will be recorded as a credit to the Principal Deficiency Ledger. Any amount credited to the Principal Deficiency Ledger in respect of Additional Available Principal Funds will be reduced to the extent of any future Losses arising in respect of the Mortgage Portfolio or any Principal Reallocation Amounts; and
- the availability of interest provided by the Issuer Account Bank in respect of monies held in the Transaction Account and income from any Authorised Investments (see the section "*Cashflows*" for further details).

“Step-Up Date” means the Interest Payment Date falling in March 2020.

Bank Accounts and Cash Management

On the Closing Date the Issuer will enter into the Account Bank Agreement with the Issuer Account Bank in respect of the opening and maintenance of a deposit account (the "Transaction Account") with the Issuer Account Bank on or prior to the Closing Date. The Issuer may from time to time open additional or replacement accounts pursuant to the Account Bank Agreement and the Transaction Documents.

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

TRANSACTION OVERVIEW - TRIGGERS TABLES

Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
<p>Issuer Account Bank:</p>	<p>A short-term unsecured, unsubordinated and unguaranteed debt rating of at least A-1 by S&P (if a short-term rating is assigned by S&P) and a long-term unsecured, unsubordinated and unguaranteed debt rating of at least A by S&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&P, a long term unsecured, unsubordinated and unguaranteed rating of at least A+ by S&P, and a long-term unsecured, unsubordinated and unguaranteed debt rating of at least A by DBRS, 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 "<u>Account Bank Rating</u>").</p>	<p>If the Issuer Account Bank fails to maintain any of the Account Bank Ratings, then the Issuer (with the assistance of the Cash Administrator) shall, within 30 calendar days of such downgrade:</p> <ul style="list-style-type: none"> (a) close the Transaction Account with the Issuer Account Bank and use all reasonable endeavours to open replacement accounts with a financial institution (i) having the Account Bank Ratings and (ii) which is a bank as defined in section 991 of the Income Tax Act 2007; (b) use all reasonable endeavours to obtain a guarantee of the obligations of the Issuer Account Bank under the Account Bank Agreement from a financial institution which has the Account Bank Ratings; or (c) take any other reasonable action as the Rating Agencies may agree will not result in a downgrade of the Rated Notes, <p>in each case as prescribed in the Account Bank Agreement, and transfer amounts standing to the credit of the Transaction Account to the replacement Transaction Account.</p>
<p>Collection Account Bank</p>	<p>A short-term, unsecured, unsubordinated and unguaranteed debt rating of at least 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 at least BBB or (if no short-term,</p>	<p>If the Collection Account Bank fails to maintain any of the Collection Account Bank Ratings, then the Portfolio Administrator shall assist BFL to:</p> <ul style="list-style-type: none"> (a) open a replacement collection account in the

unsecured, unsubordinated and unguaranteed debt rating is assigned by S&P) BBB+ by S&P and a long-term unsecured, unsubordinated and unguaranteed debt rating of at least BBB by DBRS and a short term, unsecured, unsubordinated and unguaranteed debt rating of at least R-1 low by DBRS, 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 "Collection Account Bank Rating").

name of BFL with a financial institution (i) having a rating of at least the Collection Account Bank Rating, (ii) approved in writing by the Issuer and the Security Trustee and (iii) which is a bank as defined in Section 991 of the Income Tax Act 2007; or

- (b) obtain an unconditional and unlimited guarantee of the obligations of the Collection Account Bank from a financial institution having the Collection Account Bank Rating; or
- (c) take any other action as the Rating Agencies may agree will not result in a downgrade of the Rated Notes,

in each case as prescribed and within the time limits as set out in the Administration Agreement, and transfer all Direct Debit mandates to such replacement collection account and procure that all Monthly Instalments made by a Borrower under a payment arrangement other than the Direct Debiting Scheme are made to such replacement collection account from 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 Mortgage Loans to the Issuer, the Issuer will be subject to certain risks as set out in the risk factor entitled "*BFL to initially retain legal title to the Mortgage Loans and risks relating to set-off*" and "*Set-off may adversely affect the value of the Mortgage Portfolio or any part thereof*" in the section entitled "*Risk Factors*". Completion of transfer of the legal title of the Mortgage Loans by BFL to the Issuer will be completed on or before the 20th Business Day after the earliest to occur of the following:

- (A) BFL being required to perfect legal title to the Mortgage Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over BFL or by any organisation of which BFL is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for BFL to comply, to perfect legal title to the Mortgage Loans and their Related Security;
- (B) it becoming necessary by law to do any or all of the acts 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) BFL 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 BFL; or
- (F) the occurrence of a Portfolio Administrator Termination Event, a Special Servicer Termination Event or a Cash Administrator Termination Event;
- (G) the service of an Enforcement Notice on the Issuer by the Note Trustee; or
- (I) it becoming unlawful in any applicable jurisdiction for BFL to hold legal title in respect of any Mortgage Loan or its Related Security in the Mortgage Portfolio;

Portfolio Administrator Termination Events

The appointment of the Portfolio Administrator may be terminated by the Issuer (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee on the happening of certain events, including, but not limited to, (i) materially prejudicial non-performance of its obligations under the Administration Agreement, (ii) insolvency or similar events in respect of the Portfolio Administrator, (iii) it becoming unlawful for the Portfolio Administrator to perform its obligations under the Administration Agreement or it ceasing to have the required regulatory approvals to perform the Portfolio Management Services or (iv) following the service of an Enforcement Notice in relation to the Notes, the Security Trustee being of the opinion that the continuation of the appointment of

the Portfolio Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes.

The Portfolio Administrator may also resign upon giving not less than 12 months' written notice, provided that, *inter alia*:

- (A) (if the Rated Notes remain outstanding) the resignation has no adverse effect on the then current ratings of the Rated Notes unless the Security Trustee or the Rated Noteholders (the Rated Noteholders acting by way of Extraordinary Resolution) agree otherwise; and
- (B) the Standby Portfolio Administrator has been appointed by the Issuer to perform the Portfolio Management Services prior to such resignation taking effect (or, if the Standby Portfolio Administrator is unable to perform the Portfolio Management Services upon the resignation of the Portfolio Administrator, a substitute portfolio administrator which satisfies certain conditions set out in Administration Agreement has been appointed).

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

Special Servicer Termination Event

The appointment of the Special Servicer may be terminated by the Issuer (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee on the happening of certain events, including, but not limited to, (i) materially prejudicial non-performance of its obligations under the Special Servicing Agreement, (ii) insolvency or similar events in respect of the Special Servicer, (iii) it becoming unlawful for the Special Servicer to perform its obligations under the Special Servicing Agreement or it ceasing to have the required regulatory approvals to perform the Special Services or (iv) following the service of an Enforcement Notice in relation to the Notes, the Security Trustee being of the opinion that the continuation of the appointment of the Special Servicer is materially prejudicial to the interests of the holders of the Most Senior Class of Notes.

The Special Servicer may also resign upon giving not less than 12 months' written notice provided that:

- (A) none of the Rating Agencies, having been notified of the proposed resignation of the Special Servicer, have indicated that the then current rating of the Rated Notes will be suspended, withdrawn or downgraded or otherwise adversely affected as a result of such proposed resignation; and
- (B) a substitute special servicer that satisfies the conditions set forth in the Special Servicing Agreement shall be appointed prior to such resignation taking effect.

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

Standby Portfolio
Administrator
Termination Events

The appointment of the Standby Portfolio Administrator may be terminated by the Issuer or, following the service of an Enforcement Notice, the Security Trustee on the happening of certain events, including, but not limited to, (i) materially prejudicial non-performance of its obligations under the Standby Portfolio Administration Agreement, (ii) insolvency or similar events in respect of the Standby Portfolio Administrator, (iii) it becoming unlawful for the Standby Portfolio Administrator to perform its obligations under the Standby Portfolio Administration Agreement or it ceasing to have the required regulatory approvals to perform the Portfolio Management Services or (iv) following the service of an Enforcement Notice in relation to the Notes, the Security Trustee being of the opinion that the continuation of the appointment of the Standby Portfolio Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes.

The Standby Portfolio Administrator may also resign upon giving not less than six months' written notice provided that, *inter alia*, a substitute standby portfolio administrator that satisfies the conditions set forth in the Standby Portfolio Administration Agreement shall be appointed prior to such resignation taking effect.

If a substitute standby portfolio administrator satisfying the conditions set forth in the Standby Portfolio Administration Agreement has not been appointed within 12 months of a notice of resignation being served by the Standby Portfolio Administrator, then the Issuer shall be obliged to appoint a substitute standby portfolio administrator introduced by the Standby Portfolio Administrator on the terms and subject to the conditions as informally agreed between the Standby Portfolio Administrator and the substitute standby portfolio administrator, provided such terms and conditions are materially similar to the terms and conditions of the Standby Portfolio Administration Agreement and the substitute standby portfolio administrator satisfies the conditions set forth in the Standby Portfolio Administration Agreement.

Cash Administrator
Termination Events

The appointment of the Cash Administrator may be terminated by the Issuer (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee on the happening of certain events, including, but not limited to, (i) materially prejudicial non-performance of its obligations under the Cash Administration Agreement, (ii) insolvency or similar events in respect of the Cash Administrator, (iii) it becoming unlawful for the Cash Administrator to perform its obligations under the Cash Administration Agreement or (iv) following the service of an Enforcement Notice in relation to the Notes, the Security Trustee being of the opinion that the continuation of the appointment of the Cash Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes.

The Cash Administrator may also resign upon giving not less than 12 months' written notice provided that, *inter alia*:

- (A) none of the Rating Agencies, having been notified of the proposed resignation of the Cash Administrator, have indicated that the then current rating of the Rated Notes will be suspended, withdrawn or downgraded or otherwise adversely affected as a result of such proposed termination; and
- (B) the Issuer has appointed the Standby Cash Administrator to perform the Cash Management Services prior to such resignation taking effect (or, if the Standby Cash Administrator is not able to perform such services at the time of such resignation, a substitute cash administrator that satisfies certain conditions set forth in the Cash Administration Agreement has been appointed).

Standby Cash
Administrator
Termination Events

The appointment of the Standby Cash Administrator may be terminated by the Issuer (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee on the happening of certain events, including, but not limited to, (i) materially prejudicial non-performance of its obligations under the Standby Cash Administrator Agreement, (ii) insolvency or similar events in respect of the Standby Cash Administrator, (iii) it becoming unlawful for the Standby Cash Administrator to perform its obligations under the Standby Cash Administrator Agreement or (iv) following the service of an Enforcement Notice in relation to the Notes, the Security Trustee being of the opinion that the continuation of the appointment of the Standby Cash Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes.

The Standby Cash Administrator may also resign upon giving not less than 3 months' written notice provided that, *inter alia*:

- (A) none of the Rating Agencies, having been notified of the proposed resignation of the Standby Cash Administrator, have indicated that the then current rating of the Rated Notes will be suspended, withdrawn or downgraded or otherwise adversely affected as a result of such proposed termination; and
- (B) a substitute standby cash administrator that satisfies the conditions set forth in the Standby Cash Administrator Agreement shall be appointed prior to such resignation taking effect.

If the Standby Cash Administrator gives notice to resign and by the tenth day before expiry of the relevant notice period a substitute standby cash administrator has not been duly appointed, the Standby Cash Administrator may itself appoint as the substitute standby cash administrator any reputable and experienced financial institution that satisfies the conditions set forth in the Standby Cash Administration Agreement, following such consultation with the Issuer as is practicable in the circumstances and with the prior written approval of the Security Trustee and the Issuer.

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
Special Servicing fee	An aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate of 0.05% per annum (exclusive of value added tax (" <u>VAT</u> ")) on the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) on the first day of each calendar month during the immediately preceding Collection Period (the " <u>Special Servicing Fee</u> ").	Ahead of all outstanding Notes and Residual Certificates.	Quarterly in arrear on each Interest Payment Date.
Portfolio Administration fees	An aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying (i) a rate of 0.15% per annum (exclusive of VAT) (the " <u>Senior Portfolio Administration Fee</u> ") and (ii) a rate of 0.05% per annum (exclusive of VAT) (the " <u>Subordinated Portfolio Administration Fee</u> ") and, together with the Senior Portfolio Administration Fee, the " <u>Portfolio Administration Fee</u> ", in each case on the aggregate Current	Senior Portfolio Administration Fee: Ahead of all outstanding Notes and Residual Certificates. Subordinated Portfolio Administration Fee: Subordinated to all Rated Notes.	Quarterly in arrear on each Interest Payment Date.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency	
	<p>Balance of the Mortgage Loans (excluding any Enforced Loans) on the first day of each calendar month during the immediately preceding Collection Period.</p>			
Cash Fees	Management	<p>An aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate of 0.05% per annum (exclusive of VAT) on the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) on the first day of each calendar month during the immediately preceding Collection Period (the "<u>Cash Management Fee</u>").</p>	Ahead of all outstanding Notes and Residual Certificates.	Quarterly in arrear on each Interest Payment Date.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Standby Portfolio Administrator Fees	(i) £30,000 per annum (exclusive of VAT) and (ii) a one-off invocation fee of £225,000 (exclusive of VAT) if the Standby Portfolio Administrator is required to perform the Portfolio Management Services pursuant to the Standby Portfolio Administrator Agreement at any time when the Portfolio Management Services are not delegated to it by the Portfolio Administrator pursuant to the HML Delegation Agreement.	Ahead of all Outstanding Notes and Residual Certificates.	(i) Annually in advance on the Closing Date and thereafter (following the anniversary of the Closing Date) on the Interest Payment Date following in March of each year; and (ii) on the Interest Payment Date immediately following the date on which the Standby Portfolio Administrator receives notice of the termination of the appointment of the Portfolio Administrator.
Other fees and expenses of the Issuer (including tax and audit costs).	Estimated at £76,200 each year (exclusive of VAT, where so provided in the relevant Transaction Document).	Ahead of all outstanding Notes and Residual Certificates.	Quarterly on each Interest Payment Date.
Expenses related to the admission to trading of the Notes.	Estimated at €2,000 per year (exclusive of VAT).	Ahead of all outstanding Notes and Residual Certificates.	Annually in advance on the Closing Date and thereafter (following the anniversary of the Closing Date) on the Interest Payment Date following in March of each year.

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

EU RISK RETENTION REQUIREMENTS

The Seller, as an originator for the purposes of the CRR and the AIFM Regulation, will retain a material net economic interest of not less than 5% in the securitisation in accordance with the text of each of Article 405 of the Capital Requirements Regulation and Article 51 of the AIFM Regulation (which, in each case, does not take into account any corresponding national measures). As at the Closing Date, such interest will be comprised of the Seller holding an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those sold to investors as required by the text of each of Article 405 of the CRR and Article 51 of the AIFM Regulation. On the Closing Date, this will represent an economic outlay and downside exposure. Any change to the manner in which such interest is held will be notified to Noteholders.

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 to prospective investors (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 Administration Agreement which will detail, among other things, certain aggregated loan file data in relation to the Mortgage Portfolio (the "Investor Report") and published on the following website: <https://sf.citidirect.com>. The website at <https://sf.citidirect.com> and the contents thereof do not form part of this Prospectus.

The Seller will undertake to (i) the Joint Lead Managers and the Arranger in the Subscription Agreement and (ii) the Issuer and the Security Trustee in the Mortgage Sale Agreement to:

- (A) retain a material net economic interest of not less than 5% in the securitisation (the "Retained Exposures") in accordance with Part Five of the CRR and Article 51 of the AIFM Regulation;
- (B) notify such parties on or prior to each Cut-Off Date occurring after the Closing Date that it continues to hold the Retained Exposures (and the Issuer shall procure that the Cash Administrator shall reflect the same in the Investor Report that follows the date of such notice);
- (C) notify such parties as soon as practicable in the event it no longer holds the Retained Exposures;
- (D) not reduce its credit exposure to the Retained Exposures either through hedging or the sale of all or part of the Retained Exposures, except as may be permitted under Part Five of the CRR and Article 51 of the AIFM Regulation; and
- (E) comply with the disclosure obligations imposed on sponsor or originator credit institutions under Article 409 of Part Five of the CRR and provide to the Joint Lead Managers, the Issuer and all prospective investors readily available access to the data and information referred to in Article 409 of Part Five of the CRR and Section 5 of the AIFM Regulation (subject to all applicable laws).

The Seller is a wholly owned subsidiary of BFL. BFL will undertake to (i) the Joint Lead Managers and the Arranger in the Subscription Agreement and (ii) the Issuer and the Security Trustee in the Mortgage Sale Agreement to:

- (A) legally and beneficially own the entire allotted and issued share capital of the Seller for so long as the Seller holds the Retained Exposures;
- (B) procure that the Basinghall Group shall continue to be exposed to the securitisation and will comply, and shall procure that none of the entities in the Basinghall Group will enter

into any transaction which could result in non-compliance, with the requirements of Part Five of the CRR and Article 51 of the AIFM Regulation in respect of that exposure;

- (C) notify such parties as soon as practicable in the event that the Basinghall Group no longer complies with the requirements of Part Five of the CRR and Article 51 of the AIFM Regulation; and
- (D) not reduce the credit exposure of the Basinghall Group to the Retained Exposures either through hedging or the sale of all or part of the Retained Exposures, except as may be permitted under Part Five of the CRR and Article 51 of the AIFM Regulation.

Each reference to the "Basinghall Group" in the Subscription Agreement and the Mortgage Sale Agreement, shall be to BFL and each of its subsidiaries.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with each of Part Five of the CRR (including Article 405) and Section Five of Chapter III of the AIFM Regulation (including Article 51) and any corresponding national measures which may be relevant and none of the Issuer, BFL, the Seller, the Portfolio Administrator, the Special Servicer, the Note Trustee, the Security Trustee, the Arranger or any Joint Lead Manager makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction should seek guidance from their regulator.

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

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 Mortgage 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 Mortgage Loans in the Mortgage Portfolio. In addition, the weighted average lives of the Notes, should they not be called by the Step-up Date, will be influenced by, *inter alia*, the amount of Available Interest Receipts.

The actual weighted average lives of the Notes cannot be stated, as the ultimate rate of prepayment of the Mortgage 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 mortgage 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 Unrated 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 Mortgage Loan becomes delinquent or is enforced for so long as the Notes remain outstanding;
- (B) there is no debit balance on the Principal Deficiency Ledger on any Interest Payment Date;
- (C) other than in the scenarios where it is assumed that the Notes are redeemed on the Optional Redemption Date and the Mortgage Portfolio is repurchased by the Seller, no Mortgage Loan is required to be repurchased by the Seller or BFL, whether as a result of a Further Advance, Product Switch, Port, breach of Loan Warranty or otherwise;
- (D) the Notes are issued on 27 March 2015 and all payments on the Notes are received on an Interest Payment Date, being the 15th day of March, June, September and December 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 June 2015;
- (E) SVR is equal to 5.22 per cent.;
- (F) Bank of England base rate is equal to 0.50 per cent.;
- (G) 3-month LIBOR is equal to 0.56 per cent.;
- (H) no Enforcement Notice is served on the Issuer, no Event of Default has occurred and the Security is not enforced;
- (I) amounts required to pay items (A) to (D) of the Pre-Enforcement Interest Priority of Payments on each Interest Payment Date are:
 - (i) Fixed expenses of £110,000 (excluding VAT); and
 - (ii) Variable expenses of 0.30 per cent.

- (J) the Initial Consideration paid on the Closing Date by the Issuer for the Mortgage Portfolio is £254,567,335.72;
- (K) the rate of interest earned on the Transaction Account is equal to 0.41 per cent.;
- (L) with respect to the Mortgage Loans each month consists of 30 calendar days, and each year 360 days and with respect to the Notes each month consists of the actual number of days in the relevant month and 365 days in the relevant year; and
- (M) the Principal Amount Outstanding of the Notes as at the Closing Date is, in respect of the Class A Notes £161,905,000, in respect of the Class B Notes £29,275,000, in respect of the Class C Notes £23,929,000, in respect of the Class D Notes £10,692,000, in respect of the Class E Notes £9,164,000, in respect of the Class F Notes £3,819,000, in respect of the Class G Notes £6,364,000 and, in respect of the Class H Notes £9,419,000 and, in respect of the Subordinated Notes £3,590,000.

The actual characteristics and performance of the Mortgage 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 Mortgage Loans will prepay at a constant rate until maturity, or that there will be no defaults or delinquencies on the Mortgage Loans. Any difference between the Modelling Assumptions and, *inter alia*, the actual prepayment or loss experience on the Mortgage 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	Class F Notes	Class G Notes	Class H Notes	Subordinated Notes
0%	2.83	2.97	2.97	2.97	2.97	2.97	2.97	2.97	2.97
4%	2.59	2.97	2.97	2.97	2.97	2.97	2.97	2.97	2.97
6%	2.47	2.97	2.97	2.97	2.97	2.97	2.97	2.97	2.97
8%	2.35	2.97	2.97	2.97	2.97	2.97	2.97	2.97	2.97
10%	2.24	2.97	2.97	2.97	2.97	2.97	2.97	2.97	2.97
14%	2.01	2.97	2.97	2.97	2.97	2.97	2.97	2.97	2.97

CPR	(Assuming Issuer Call on Step-Up Date) Possible WAL (in years) of:								
	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes	Class G Notes	Class H Notes	Subordinated Notes
0%	4.53	4.98	4.98	4.98	4.98	4.98	4.98	4.98	4.98
4%	3.87	4.98	4.98	4.98	4.98	4.98	4.98	4.98	4.98
6%	3.56	4.98	4.98	4.98	4.98	4.98	4.98	4.98	4.98
8%	3.27	4.98	4.98	4.98	4.98	4.98	4.98	4.98	4.98
10%	2.99	4.98	4.98	4.98	4.98	4.98	4.98	4.98	4.98
14%	2.46	4.98	4.98	4.98	4.98	4.98	4.98	4.98	4.98

CPR	(Assuming no Issuer Call at 10% Call) Possible WAL (in years) of:								
	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes	Class G Notes	Class H Notes	Subordinated Notes
0%	10.92	17.64	17.91	17.98	17.98	17.98	17.98	17.98	17.98
4%	6.35	14.25	17.22	17.73	17.96	17.98	17.98	17.98	17.98
6%	4.98	12.59	15.28	17.41	17.73	17.73	17.73	17.73	17.73
8%	4.02	11.08	13.22	15.98	17.22	17.23	17.23	17.23	17.23
10%	3.38	9.15	12.13	13.72	15.59	15.73	15.73	15.73	15.73
14%	2.51	6.99	9.20	11.65	12.48	12.48	12.48	12.48	12.48

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.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Rated Notes, the Class G Notes and the Class H Notes to pay the Initial Consideration payable by the Issuer for the Mortgage 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 establish the Credit Reserve Fund.

RATINGS

The Rated Notes, on issue, are expected to be assigned the following ratings by DBRS and S&P. The Class G Notes, the Class H 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.

Class of Notes	DBRS	S&P
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 _(sf)	BBB _(sf)
Class E Notes	BB _(sf)	BB _(sf)
Class F Notes	B _(sf)	B _(sf)
Class G Notes	Not rated	Not rated
Class H 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 holders of the Most Senior Class of Rated Notes of all payments of interest on each Interest Payment Date;
- (B) the likelihood of ultimate payment to the holders of the Rated Notes (other than the Most Senior Class of Rated Notes) of all payments of interest on or before the Final Maturity Date; and
- (C) the likelihood of ultimate repayment to the Rated Noteholders of principal in relation to the Rated Notes on or before the Final Maturity Date.

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 in England and Wales on 19 January 2015 (registered number 9395397) 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. The Seller does 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 (*Covenants*) and Residual Certificates Condition 5 (*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 Credit Reserve Fund).

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 EC3 6AP	Corporate Director
SFM Directors (No.2) Limited	35 Great St. Helen's, London EC3 6AP	Corporate Director
Claudia Wallace	35 Great St. Helen's, London EC3 6AP	Director

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

<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
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 in England and Wales on 19 January 2015 (registered number 9395388) 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 nor any company connected with the Seller can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer.

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 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 EC3 6AP	Corporate Director
SFM Directors (No.2) Limited	35 Great St. Helen's, London EC3 6AP	Corporate Director
Claudia Wallace	35 Great St. Helen's, London EC3 6AP	Director

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

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Jonathan Eden Keighly	35 Great St. Helen's, London EC3 6AP	Director
Robert William Berry	35 Great St. Helen's, London EC3 6AP	Director
John Paul Nowacki	35 Great St. Helen's, London EC3 6AP	Director

Name	Business Address	Business Occupation
Claudia Wallace	35 Great St. Helen's, London EC3 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3 6AP	Director
Susan Abrahams	35 Great St. Helen's, London EC3 6AP	Director
Michael Drew	35 Great St. Helen's, London EC3 6AP	Company Secretary
Jennifer Jones	35 Great St. Helen's, London EC3 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

The Seller is a special purpose warehousing vehicle and was incorporated in England and Wales on 09 October 2014 (registered number 09255831) as a private limited company under the Companies Act 2006. The registered office of the Seller is 25 Woolgate Exchange, Basinghall Street, London EC2V 5HA. The telephone number of the Seller's registered office is 020 7020 2000. The issued share capital of the Seller comprises one ordinary share of £1.

The Seller is wholly owned by BFL and was established to acquire from BFL certain residential mortgage loans and their related security (including the Mortgage Loans and then Related Security comprised in the Mortgage Portfolio) acquired or originated by BFL pursuant to the terms of a mortgage sale agreement.

BASINGHALL FINANCE LIMITED

Basinghall Finance Limited is a private limited company registered in England and Wales under number 2305213 and the liability of its members is limited. It has its registered and head office at Level 1, Newnham Mill, Newnham Road, Cambridge, CB3 9EY.

Established in August 2005 as a wholly owned subsidiary of West-LB AG, Basinghall Finance Limited was transferred to Erste Abwicklungsanstalt ("EAA") in 2010. Under EAA ownership, Basinghall Finance Limited continued to oversee the management and servicing of the Mortgage Loans and was put up for sale in early 2014. In August 2014, Bluestone Mortgages Investment Limited entered into a contract to acquire 100% of the shares in Basinghall Finance Limited, subject to FCA approval. In December 2014 FCA approval was granted and Basinghall Finance Limited was acquired by Bluestone Mortgages Investment Limited, a subsidiary of Bluestone Consolidated Holdings Limited.

Bluestone Consolidated Holdings Limited is the holding company for the Bluestone Group of companies, which include loan servicing and mortgage origination businesses in Australia, New Zealand, Ireland, the Philippines and the UK.

Basinghall Finance Limited is regulated by the Financial Conduct Authority and holds the required authorisations and permissions to carry out regulated activities under the Financial Services and Markets Act 2000.

Basinghall Finance Limited's main purpose is to acquire mortgage loans via portfolio purchases and to originate new mortgage loans through third party distribution networks. Such mortgage loans will be refinanced through securitisation via, amongst others, the Issuer or by sales to other third party entities.

GMAC-RFC LIMITED

GMAC-RFC Limited is a private limited company and was incorporated in England and Wales under the Companies Act 1985 (with company number 3489004) and was renamed Paratus AMC Limited in 2011. GMAC-RFC Limited was formed by GMAC Residential Funding Corporation, a direct wholly-owned subsidiary of Residential Capital Corporation, an indirect wholly owned subsidiary of General Motors Corporation. GMAC-RFC Limited was acquired by Sterling Holdings LP in 2010. Residential Capital Corporation was liquidated following its insolvency in 2013.

GMAC-RFC Limited's primary business was to provide mortgage services in the UK through intermediaries and other financial institutions. GMAC-RFC Limited originated mortgage loans to borrowers in England, Wales and Scotland and has also in the past originated mortgage loans to borrowers in Northern Ireland.

The registered office of GMAC-RFC Limited was at Eastern Gate, Brants Bridge, Bracknell, Berkshire RG12 9BZ.

Any information concerning GMAC-RFC Limited in this Prospectus comprises only publicly available information issued by or on behalf of GMAC-RFC Limited.

THE MORTGAGE LOANS

The following is a description of some of the characteristics of the Mortgage Loans comprised in the Mortgage Portfolio, including details of loan types and selected statistical information.

Origination of the Mortgage Loans

The Mortgage Loans and their Related Security comprised in the Mortgage Portfolio were originated by Basinghall Finance Limited ("BFL") or by GMAC-RFC Limited ("GMAC" and, together with BFL and GMAC, the "Originators") and subsequently acquired by BFL, and sold to Basinghall Mortgage Finance No.1 Limited (the "Seller"). The Mortgage Portfolio will be sold to the Issuer by the Seller on the Closing Date pursuant to the Mortgage Sale Agreement.

For further information on GMAC, please see the section entitled "*GMAC-RFC Limited*".

Information on the Mortgages

General

The Mortgage Loans all have original maturities of between 7 years and 35 years and were all originated by the relevant Originator between 2003 and 2009. No Mortgage Loan has a final repayment date later than January 2043.

All the Mortgage Loans consist of mortgage loans which upon origination met the Lending Criteria (subject to such exceptions as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender) and are secured by first ranking mortgages over freehold or leasehold properties located in England or Wales, governed by English law (the "Mortgages") (see "*Lending Criteria*" below). The Issuer will have the benefit of the Loan Warranties given by the Seller and BFL in relation to the Mortgage Loans and their Related Security sold by the Seller to the Issuer, including warranties in relation to the Lending Criteria applied in advancing the mortgage loans (see "*Summary of Key Transaction Documents – Mortgage Sale Agreement*" below).

The properties which are the subject of the Mortgages (the "Properties") are residential properties located in England or Wales. In the case of leasehold Properties, the lease has, where permitted under the Lending Criteria, at least 30 years to run beyond the term of the relevant Mortgage.

Each Mortgage Loan is subject to certain Mortgage Conditions. These contain various covenants and undertakings by the relevant Borrower including covenants to make the monthly interest payments as notified to the Borrower and to arrange buildings insurance policies cover in relation to the relevant Property. The Mortgage Conditions also contain provisions for the usual remedies of a mortgagee in the event of default by the relevant Borrower.

94.66% of the Mortgage Loans in the Provisional Portfolio⁹ have been taken out in relation to the purchase or re-mortgage of a property for letting purposes (each such Mortgage Loan, a "Buy-to-Let Loan"). The Properties in respect of Buy-to-Let Loans, are required by the applicable Mortgage Conditions to be used for residential purposes. It will normally be the intention that these Properties will be let under an assured shorthold tenancy and in all cases that the occupier will have no statutory security of tenure. However, if the occupier's tenancy has been approved by BFL, the Portfolio Administrator and/or the Special Servicer, as applicable, will not be able to sell the relevant Property with vacant possession, until such time as the tenancy comes to an end, if it wishes to enforce its security (see "*Risk Factors – Buy-to-Let Loans*" above).

"Lending Criteria" means, in respect of a Mortgage Loan, the lending criteria of the relevant Originator as at the date such Mortgage Loan was granted.

⁹ Determined as a percentage of the aggregate Current Balance of the Mortgage Loans in the Provisional Portfolio on the Portfolio Reference Date

Interest Rate Types

Each Mortgage Loan will be one of the following:

- (i) a Mortgage Loan under which the Borrower is required to pay interest at a minimum margin over the three-month London Inter-Bank Offered Rate ("LIBOR") for GBP deposits determined quarterly (being a "LIBOR-Linked Loan");
- (ii) a Mortgage Loan under which the Borrower is required to pay interest at a minimum margin over the Bank of England Base Rate ("BBR") (being a "BBR-Linked Loan"); and
- (iii) a Mortgage Loan which is not at the relevant time a LIBOR-Linked Loan or a BBR-Linked Loan and under which the rate of interest payable by the Borrower is variable and is capable of being reset by the Issuer or the Special Servicer in accordance with the relevant Mortgage Conditions (the "Standard Variable Rate") (being a "SVR-Linked Loan").

Interest on the Mortgage Loans is payable monthly at rates which are currently set by or on behalf of the Seller (subject to the restrictions mentioned above) and will be set by the Special Servicer on behalf of the Issuer after the sale of the Mortgage Loans to the Issuer pursuant to the Mortgage Sale Agreement.

Repayment Types

Mortgage Loans may combine one or more of the features listed in this section. Overpayments are allowed on all products. See "*Overpayments and Early Repayment Charges*" below.

Mortgage Loans are repayable on one of the following bases:

- the Borrower makes monthly payments of interest but not of principal so that, when the Mortgage Loan matures, the entire principal amount of the Mortgage Loan is still outstanding and is payable in one lump sum (any such Mortgage Loan, an "Interest-only Loan"); or
- the Borrower makes monthly payments of both interest and principal so that, when the Mortgage Loan matures, the full amount of the principal of the Mortgage Loan will have been repaid (any such Mortgage Loan, a "Repayment Loan").

98.95%¹⁰ of the Mortgage Loans in the Provisional Portfolio are Interest-only Loans.

The required monthly payment in respect of the Mortgage 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 mortgage 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. The ability of any particular Borrower to repay an Interest-only Loan may depend on such Borrower's ability to refinance the Property or obtain funds from another source (such as a pension policy or unit trust or an endowment policy). None of the Seller, the Portfolio Administrator, the Special Servicer or BFL has verified that the Borrowers of Interest-only Loans have any such ability or other source of funds and has not obtained security over such Borrowers' right in respect of any such other source of funds. The ability of a Borrower to refinance the relevant Property will be affected by a number of factors, including the value of the Property, such Borrower's equity in the Property, the financial condition of such Borrower, tax laws and general

¹⁰ Determined as a percentage of the aggregate Current Balance of the Mortgage Loans in the Provisional Portfolio on the Portfolio Reference Date

economic conditions at the time. Moreover, the Mortgage Conditions in respect of Interest-only Loans do not require a Borrower to put in place alternative funding arrangements.

Principal prepayments may be made in whole or in part at any time during the term of a Mortgage Loan, (as described in "*Overpayments and Early Repayment Charges*" below). A prepayment of the entire outstanding balance of a mortgage 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 Mortgage Loans, including, but not limited to:

- Direct Debit from a bank or building society account; and
- standing order from a bank or building society account.

Capitalising Arrears

In certain circumstances following the accrual of Arrears representing amounts other than principal repayments on a Mortgage Loan, the relevant Borrowers may be given the option to capitalise such Arrears. "Capitalisation" is an arrangement to manage Arrears in respect of a Mortgage Loan, which involves adding the balance of Arrears (other than Arrears of principal) in respect of such Mortgage Loan to the Current Balance of such Mortgage Loan and allowing that amount to be cleared over the remaining term of such Mortgage Loan.

The Portfolio Administrator shall assess and service any Capitalisation in accordance with the capitalisation policy relating to the capitalisation of Arrears, as such policy applies to all mortgage loans serviced by the Portfolio Administrator from time to time (including the Mortgage Loans) (the "Capitalisation Policy"). As at the date of this Prospectus, the Capitalisation Policy contains the following features:

- the Portfolio Administrator will consider the capitalisation of arrears for qualifying, regulated mortgages only;
- for interest-only loans a repayment balance will be created equal to the amount of the arrears which are to be capitalised;
- for mortgages which are part interest only and part repayment, the arrears to be capitalised relating to the interest-only part are transferred to the repayment part;
- arrears in respect of a mortgage loan serviced by the Portfolio Administrator may only be capitalised where:
 - the relevant borrower cannot reasonably afford to repay the arrears more quickly;
 - at the point of capitalisation, the relevant borrower has made a minimum six consecutive payments at or above the monthly payment;
 - the ongoing affordability of the new mortgage payments has been established;
 - the relevant borrower has obtained independent financial advice in connection with the proposed capitalisation.
- Arrears in respect of a mortgage loan serviced by the Portfolio Administrator may not be capitalised where:

- non-payment of amounts under the mortgage loan results from extenuating circumstances (for example, health issues relating to the relevant borrower);
- amounts due but unpaid under such mortgage loan have previously been capitalised;
- there have been demands for unpaid ground rent and/or service charges in relation to the property;
- the related property is subject to a possession order.

The Portfolio Administrator may update the Capitalisation Policy from time to time in accordance with the standards of a Reasonable, Prudent Residential Mortgage Servicer. In so doing, the Portfolio Administrator shall adhere to the then current regulatory requirements imposed by and/or guidance issued by, without limitation, the FCA and the CCA. See the sections entitled "*Risk Factors – Consumer Protection from Unfair Trading Regulations 2008*" for further details.

"Accrued Interest" means in respect of a Mortgage Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Mortgage Loan from (and including) the monthly payment date immediately preceding the relevant date to (but excluding) the relevant date.

"Arrears" means as at any date in respect of any Mortgage Loan, all amounts currently due and payable on that Mortgage Loan which remain unpaid on that date.

"Arrears of Interest" means as at any date in respect of any Mortgage Loan, the aggregate of all interest (other than Capitalised Amounts) on that Mortgage Loan which is currently due and payable and unpaid on that date.

"Basinghall Loan" means a Mortgage Loan originated by BFL.

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

- (A) the original principal amount advanced to the relevant Borrower secured or intended to be secured by the related Mortgage and which has not been paid, repaid or prepaid by the relevant Borrower;
- (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 other than any administrative fee that is paid by the Borrower for the benefit of any third party and/or retained by the Portfolio Administrator in accordance with the terms of the Administration Agreement,

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) and any reference to the Current Balance of a mortgage loan contained in the Provisional Portfolio shall be construed as if it were a Mortgage Loan contained in the Mortgage Portfolio.

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

"GMAC Loan" means a Mortgage Loan originated by GMAC.

"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 Mortgage Loan.

"Mortgage Conditions" means, in respect of a Mortgage Loan, all the terms and conditions applicable to such Mortgage Loan, including those set out in (in respect of any Basinghall Loan) the Basinghall Finance Mortgage Conditions 2006 (Individual – Edition 1), the Basinghall Finance Mortgage Conditions 2007 (Individual – Edition 1) and the Mortgage Offer Special Conditions and (in respect of any GMAC Loan), the GMAC Residential Funding – Mortgage Conditions 2000, the GMAC RFC Mortgage Conditions 2004 England and Wales and the GMAC RFC Mortgage Conditions 2005 England and Wales October, each as varied from time to time by the relevant Mortgage Deed and Offer Conditions.

"Mortgage Deed" means, in respect of any Mortgage, the deed in written form creating that Mortgage.

"Offer Conditions" means in respect of a Mortgage Loan, the terms and conditions applicable to such Mortgage Loan as set out in the offer letter to the relevant Borrower.

"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 or Wales and which have in all material respects the same or similar characteristics to the Mortgage Portfolio and are originated, administered and held to maturity to lending standards, lending criteria and procedures as ought to have been applied in relation to the Mortgage Portfolio or, if the relevant context relates to a specific Mortgage Loan, as ought to have been applied in relation to such Mortgage Loan.

"Reasonable, Prudent Residential Mortgage Lender" means a reasonably prudent residential mortgage lender lending to borrowers in England and Wales of the type contemplated in the Lending Criteria from time to time on terms similar to those set out in the relevant Lending Criteria.

Overpayments and Early Repayment Charges

- There are no limits or restrictions on Borrowers overpaying Mortgage Loans
- There are no Early Repayment Charges payable on any Mortgage Loans in the Mortgage Portfolio

Enforcement Procedures

The following summarises the enforcement procedures for managing Mortgage Loans that are in Arrears.

The Portfolio Administrator carries out detailed daily and monthly analyses of the performance of the Mortgage Portfolio and arrears. Borrowers who fail to make payments when due are contacted by the Portfolio Administrator's collection staff within five business days after becoming aware of the first non-payment. This contact is maintained by reminder letters and telephone calls during the course of the next month. Depending on the results of initial contact, the Borrower may receive multiple calls and letters during the first month of delinquency.

Through such contact, the Portfolio Administrator will endeavour to collect the outstanding monthly payment and any fees in full. However, if the Borrower is unable to make such payment in full, the Portfolio Administrator will require the Borrower to make an immediate payment and agree a schedule of payments to clear the Arrears balance. Subject to a review of the Borrower's financial circumstances, the Portfolio Administrator will endeavour to agree an arrangement to repay over a period of between zero to 12 months although in limited circumstances a period in excess of 12 months may be agreed.

Where the Portfolio Administrator fails to collect the outstanding monthly payment and any fees in full, the Portfolio Administrator may instruct an independent debt counsellor to visit the relevant Property to ascertain the reason for non-payment and may obtain more details about the Borrower's circumstances. The debt counsellor's report will be reviewed to assess the action to be taken by the Portfolio Administrator and assess the condition of the relevant Property.

Once a Borrower of a Mortgage Loan other than a Buy-to-Let Loan falls three months' or more into Arrears (i.e. the equivalent of three missed monthly mortgage payments) or a Borrower of a Buy-to-Let Loan falls two months or more into Arrears, the Portfolio Administrator on behalf of the Issuer, applying the Portfolio Administrator's policies and procedures from time to time (having regard to the circumstances of the Borrower in each case), will decide whether to instruct a solicitor and commence legal proceedings or to delay litigation in order to give the Borrower time to perform under the arrangement to pay. Delays will only be sanctioned by the Portfolio Administrator on behalf of the Issuer, applying the Portfolio Administrator's policies and procedures from time to time (having regard to the circumstances of the Borrower in each case), when there are clear signs that a satisfactory paying agreement will be reached shortly, or when the Department for Work and Pensions is contributing to monthly payments. If no such delay is sanctioned, the Borrower will be issued with a demand letter giving 15 days to clear all Arrears or face Enforcement Procedures.

The "Enforcement Procedures" that may be taken include one or more of:

- (1) appointing a receiver of rent where the relevant Mortgage Loan is a Buy-to-Let Loan;
- (2) making arrangements whereby a Borrower's payments may be varied; and
- (3) taking legal action for possession and the subsequent sale of the relevant Property with vacant possession.

Whether the Portfolio Administrator adopts one or more of the actions described above will depend upon a number of considerations including whether the Mortgage Loan is an owner-occupied or Buy-to-Let Loan and, if the latter, the tenants' propensity to pay rent, the ratio of rent received to monthly instalments due under the Mortgage Loan, the security of tenure enjoyed by any tenants and the anticipated net receipts from a sale of the relevant Property with vacant possession.

Where litigation is to be commenced, the Portfolio Administrator will select solicitors from a pre-selected panel. During litigation, the Portfolio Administrator will maintain constant contact with the Borrower to collect moneys or agree an arrangement to pay.

Where the court makes an order for possession, the Portfolio Administrator will appoint managing agents with a view to achieving a swift sale at the best price. Factors driving the timeline from possession to sale will include how busy the courts are, the state of the property market and the circumstances of the relevant Borrower.

- (1) *Appointment of a receiver of rent in respect of Buy-to-Let Loans*

Where appointed, a receiver of rent is deemed to be the agent of the Borrower and must collect any rents payable in respect of the Borrower's Mortgage Loan and apply them

(after payment of certain statutorily prescribed outgoings) in payment of any interest and Arrears accruing under the Mortgage Loan and thereafter any surplus shall either be applied in discharge of principal if required by the Portfolio Administrator acting on behalf of the Issuer, or paid to the Borrower.

(2) *Possession of the related Property needed to realise a Mortgage*

In order to realise the Mortgage in respect of a Mortgage Loan in Arrears, the relevant mortgagee will need to obtain possession.

(3) *Obtaining possession of Properties relating to Buy-to-Let Loans*

Any action for possession of a Property securing a Buy-to-Let Loan would include a claim not only against any tenants but also against the relevant Borrower to assist in defeating any subsequent attempt by the relevant Borrower to assert a right of occupation. In broad terms, the mortgagee has the same (but no better) rights against a tenant (for example, to regain possession) as are enjoyed by the Borrower as landlord.

Where the tenant is an individual, he will, as an assured shorthold tenant have a limited right to security of tenure in that although an order for possession must be made against the tenant (provided, in certain cases, prescribed notices have been served) it cannot take effect earlier than six months after the beginning of the tenancy in the case of a periodic tenancy, or, in the case of a fixed term tenancy, before the expiry of the fixed term unless the tenant fails to keep to the provisions of the tenancy agreement.

Where the tenant is other than an individual, an order for possession cannot take effect before the expiry of the fixed term unless the tenant fails to keep to the provisions of the tenancy agreement.

(4) *Obtaining possession of owner occupied Properties*

In relation to a Property which is occupied by a Borrower, there are two means of obtaining possession: first, by taking physical possession (seldom done in practice) and, secondly, by obtaining a court order.

If the mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the realisation proceeds 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 to the Property.

Actions to obtain a court order 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 (sometimes referred to as suspended possession orders). 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 relevant Mortgage or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the relevant Mortgage.

The court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower faced with eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to pay.

(5) *Sale of a Property following possession*

Once possession of a property has been obtained, the mortgagee has a duty to the Borrower to take reasonable care to obtain the best price reasonably obtainable at the time for the property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the mortgagee to sell the Property within a reasonable time. The net proceeds of sale of the Property (after payment of the costs and expenses of the sale) would be applied against the sums owing from the Borrower to the extent necessary to discharge the Mortgage.

Credit Risk Mitigation

BFL has (and, at the time of origination of the Mortgage Loans, the relevant Originators had) internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation.

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

- (A) criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits (as to which, in relation to the Mortgage Loans, please see the information set out in this Prospectus headed "*Lending Criteria*" and "*Summary of the Key Transaction Documents – Administration Agreement*";
- (B) systems in place to administer and monitor the various credit-risk bearing portfolios and exposures (as to which it should be noted that the Mortgage Portfolio will be serviced in line with the servicing procedures of the Portfolio Administrator and the Special Servicer – please see further the sections of this Prospectus headed "*Summary of the Key Transaction Documents – Administration Agreement*" and "*Summary of the Key Transaction Documents – Special Servicing Agreement*");
- (C) diversification of credit portfolios taking into account BFL's target market and overall credit strategy (as to which, in relation to the Mortgage Portfolio, please see the section of this Prospectus headed "*Characteristics of the Provisional Portfolio*"); and
- (D) policies and procedures in relation to risk mitigation techniques (as to which, please see further the section of this Prospectus headed "*Lending Criteria*" and "*Summary of the Key Transaction Documents – Administration Agreement*".

Governing Law

Each of the Mortgage Loans and any non-contractual obligations arising out of or in connection with them are governed by English law.

LENDING CRITERIA

(A) Basinghall Loans

The following is a summary of aspects of the lending criteria used by BFL in respect of Basinghall Loans at the time of origination of the Basinghall Loans:

- In order to obtain a Basinghall Loan, each prospective borrower must complete an application which includes information with respect to the applicant's income, current employment details, bank account information (if applicable), current mortgage information (if applicable) and certain other personal information.
- Each Basinghall Loan must have an initial term of between 5 and 40 years.
- Each borrower must be at least 18 years of age prior to completion of the relevant Basinghall Loan and the term of a Basinghall Loan must end before the primary applicant reaches his or her 85th birthday (in respect of Buy-to-Let Loans) or 80th birthday (in respect of owner occupied mortgage loans), subject to certain exceptions.
- 1-4 Borrowers may be bound by a Mortgage securing a Basinghall Loan.
- Each Basinghall Loan must be secured by a first ranking legal mortgage over a freehold or long leasehold residential property located in England and Wales. The expiry of a lease in relation to a leasehold Property that is subject to a Mortgage securing a Basinghall Loan is required to post-date the maturity of the related Basinghall Loan by at least 30 years.
- Only property of an acceptable standard of construction and intended for use wholly or partly as a principal place of residence or under an assured shorthold tenancy or short assured tenancy may be subject to a Mortgage securing a Basinghall Loan. Properties under 10 years of age are generally required to have the benefit of a National House-Building Council or an architects' certificate or equivalent guarantee from an acceptable body.
- Certain property types will not be considered acceptable for the purposes of providing security for a Basinghall Loan, including:
 - (1) freehold flats and freehold maisonettes in England and Wales;
 - (2) prefabricated buildings;
 - (3) properties with high alumina cement construction;
 - (4) steel framed properties;
 - (5) farms and smallholdings;
 - (6) any building where the projected life span is less than 25 years beyond the end of the term of the relevant Basinghall Loan.
- Each Property which is subject to a Mortgage securing a Basinghall Loan will have been valued by a qualified surveyor (being a fellow or associate of the Royal Institution of Chartered Surveyors (an "ARICS") or having an equivalent qualification) chosen from a panel of valuation firms approved by BFL. Valuations must be completed using a standard template provided by BFL.

- Each Basinghall Loan at the time of completion must be for a minimum principal amount of at least £25,001.
- The loan to value ratio of a Mortgage Loan ("Original LTV ") is calculated by dividing the value of the related Property at the date of completion of such Mortgage Loan by the initial principal amount advanced under such Mortgage Loan (excluding any fees payable in respect of such Mortgage Loan). The Original LTV of each Basinghall Loan must be no more than 90%.
- When considering whether to make a Basinghall Loan other than a Buy-to-Let Loan to a prospective borrower, BFL will consider (among other things) the income of such prospective borrower. Income is determined by reference to the application form and supporting documentation provided by a prospective borrower, where appropriate, and may consist of:
 - (1) salary plus additional regular remuneration for an employed prospective borrower or remuneration payable plus any dividend/bonus attributable to a self-employed prospective borrower (defined as a borrower holding at least 33% of the issued share capital of a company, who is a partner in partnership or a sole trader) in the last financial year;
 - (2) pensions;
 - (3) investment income;
 - (4) rental income; and
 - (5) any other monies approved by an authorised official of BFL.

Borrowers who wish to self-certify their income are required to make a full declaration of their total annual personal income on the application form and must still complete in full the employment section of the application form.

The employer of each employed prospective borrower is contacted by telephone to confirm that such prospective borrower works where stated on the application form. Where the prospective borrower is self-employed, the accountant of the prospective borrower is telephoned for the purpose of confirming the employment of the prospective borrower (subject to certain exceptions).

The principal amount advanced in respect of an owner – occupied mortgage loan (unless an underwriting exception is approved in respect of such Mortgage Loan) will not exceed the higher of:

- (1) 4.5 times the assessed income of the primary borrower plus one times the assessed income of the secondary borrower (if any); and
- (2) 3.75 times the combined assessed incomes of the primary and secondary borrowers.

The income multiples available to any borrower will be dependent on a combination of the Original LTV and the credit assessment conducted in respect of that borrower. A reasonability check on income for all self-certified and self-employed prospective borrowers will be carried out on a sample basis.

Interest payments due in respect of Buy-to-Let Loans which are intended to be covered by rental income for the purpose of calculating interest cover will be based on the pay rate,

reversion rate or stressed BBR, as specified by the Mortgage Conditions relating to such Buy-to-Let Loan.

- If the related Property is subject to an assured shorthold tenancy, such assured shorthold tenancy must have a term of no less than 6 months and no more than 12 months.
- The credit history of each prospective borrower will have been assessed with the aid of one or more of the following:
 - (1) search supplied by a credit reference agency;
 - (2) Credit Account Information Sharing information;
 - (3) confirmation of voters roll entries or proof of residency;
 - (4) payslips and/or employment contracts;
 - (5) a copy of any tenancy agreement;
 - (6) accountant's certificate; or
 - (7) references from current and/or previous lenders.

Explanations may be provided where a County Court Judgment ("CCJ") relating to a prospective borrower has been revealed by the credit reference search, where Arrears have been identified or where a prospective borrower has been subject to a bankruptcy order or an individual voluntary arrangement ("IVA"). Where satisfaction of a CCJ is a requirement of the mortgage loan, a certificate of satisfaction must have been provided or satisfaction confirmed in credit reference agency searches.

Borrowers who were the subject of a bankruptcy order must have provided satisfactory evidence of the discharge. Borrowers who were subject to an IVA must have provided confirmation of satisfactory conduct of the IVA where appropriate.

- Each Property which is subject to a Mortgage securing a Basinghall Loan is required to be valued by a qualified surveyor (with an ARICS or equivalent qualification) chosen from a panel of valuation firms approved by BFL.
- In relation to each Basinghall Loan, the relevant Borrower has covenanted to keep the relevant Property in good repair and condition, to comply with all covenants and statutory requirements in respect of the relevant Property and to pay in a timely fashion all taxes and other amounts required to be paid in connection with the Property. Each of the Borrowers has also agreed to allow the mortgagee to carry out an inspection of the condition of the relevant Property at any reasonable time.

(B) GMAC Loans

GMAC originated the Mortgages relating to the GMAC Loans through intermediary and packager networks. GMAC's underwriters reviewed each application on a case by case basis.

The GMAC Loans were underwritten in accordance with the lending criteria of GMAC at the time such Loans were originated (the "GMAC Lending Criteria"), subject only to such exceptions as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender. The GMAC Lending Criteria allowed for underwriter discretion in certain circumstances and individual lending authorities prescribed the extent to which an underwriter could exercise discretion when approving an application for a GMAC Loan.

The following is a summary of aspects of the GMAC Lending Criteria:

- In order to obtain a GMAC Loan, each prospective Borrower must complete an application which includes information with respect to the applicant's income, current employment details, bank account information (if applicable), current mortgage information (if applicable) and certain other personal information.
- Each GMAC Loan must have an initial term of between 5 and 30 years.
- Each Borrower must be at least 18 prior to completion and no more than 75 years at the end of the mortgage term of the GMAC Loan (subject to certain exceptions).
- A maximum number of four Borrowers are allowed to be parties to a GMAC Loan which is not a Buy-to-Let Loan and a maximum number of two Borrowers are allowed to be parties to a Buy-to-Let Loan. For GMAC Loans which are not Buy-to-Let Loans, only the two applicants with the highest income will be taken into account when assessing the case.
- Each GMAC Loan must be secured by a first ranking legal mortgage over a freehold or long leasehold residential property located in England or Wales. The expiry of a lease in relation to a leasehold property that serves as a security for a GMAC Loan will post-date the maturity of the GMAC Loan by at least 30 years.
- Only property of an acceptable standard of construction and intended for use wholly or partly as a principal place of residence or under an assured shorthold tenancy or short assured tenancy is acceptable. Properties under 10 years of age are generally required to have the benefit of a National House-Building Council or an architects' certificate or equivalent guarantee from an acceptable body.
- Certain property types will not be considered for the purposes of providing security for a Mortgage, including:
 - (1) freehold flats and freehold maisonettes in England and Wales;
 - (2) properties with agricultural restrictions;
 - (3) properties not wholly owned by the Borrower, where equity is retained by a builder/developer,
 - (4) housing association or other third party;
 - (5) properties of 100% timber construction;
 - (6) flats over commercial premises (subject to certain exceptions); and
 - (7) properties listed as defective under the Housing Act 1985 (as amended).

Each Property offered as security will have been valued by a qualified surveyor (with an ARICS or equivalent qualification) chosen from a panel of valuation firms approved by GMAC.

Each Mortgage Loan at the time of completion must be for a minimum principal amount of at least £25,001. No GMAC Loan may exceed a maximum principal amount of £750,000.

- The Original LTV is calculated by dividing the initial principal amount advanced at completion of the GMAC Loan by the lower of the purchase price and valuation of the

relevant Property. The Original LTV of each GMAC Loan at the date of completion of such GMAC Loan, excluding fees, must be no more than 95%.

- When considering whether to make a GMAC Loan other than a Buy-to-Let Loan to a prospective borrower, the income of such prospective borrower will be taken into account. Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of:
 - (1) salary plus additional regular remuneration for an employed Borrower or remuneration payable plus any dividend/bonus attributable to the Borrower in the last financial year for a self-employed Borrower (defined as a Borrower holding at least 33% of the issued share capital of a company), who is a partner in partnership, or a sole trader;
 - (2) pensions;
 - (3) investment income;
 - (4) rental income; and
 - (5) any other monies approved by an authorised official of GMAC.

Borrowers who wish to self-certify their income are required to make a full declaration of their total annual personal income on the application form and must still complete in full the employment section of the application form. Each Borrower's employer is contacted to confirm that the Borrower works where stated on the application form, having independently verified the employer's telephone number. Where no income is declared by the Borrower, the employer or accountant is telephoned in every case for the purpose of confirming the employment of the Borrower.

- Unless an underwriting exception is approved, the principal amount advanced will not exceed the higher of:
 - (1) 4.5 times the assessed income of the primary Borrower plus one times the assessed income of the secondary Borrower; and
 - (2) 3.75 times the combined assessed incomes of the primary and secondary Borrowers. The income multiples available to any Borrower will be dependent on a combination of Original LTV and credit assessment. A reasonability check on income for all self-certified and self-employed cases will be carried out on a sample basis.
- The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
 - (1) search supplied by a credit reference agency;
 - (2) Credit Account Information Sharing information;
 - (3) confirmation of voters roll entries or proof of residency;
 - (4) references from employers;
 - (5) accountant's certificate;
 - (6) references from current and/or previous lenders; or

(7) references from current and/or previous landlords.

Explanations may be provided where a CCJ relating to a Borrower has been revealed by the credit reference search, where instalment arrears have been identified or where a Borrower has been subject to a bankruptcy order or IVA.

Where satisfaction of CCJs is a requirement of the Mortgage, a certificate of satisfaction must have been provided or satisfaction confirmed in credit reference agency searches. Borrowers who were the subject of a bankruptcy order must have provided a certificate of discharge and Borrowers who were subject to an IVA must have provided confirmation of satisfactory conduct of the IVA where appropriate.

- Properties intended to secure a GMAC Loan are required to be valued by a qualified surveyor (with an ARICS or equivalent qualification) chosen from a panel of valuation firms approved by GMAC. Valuations must be completed using a standard template provided by GMAC.
- In relation to each of the Mortgages relating to the GMAC Loans, the relevant Borrower has covenanted to keep the relevant Property in good repair and condition, to comply with all covenants and statutory requirements in respect of the relevant Property and to pay in a timely fashion all taxes and other amounts required to be paid in connection with the Property. Each of the Borrowers has also agreed to allow the mortgagee to carry out an inspection of the condition of the relevant Property at any reasonable time.
- At the time of completion of the GMAC Loan, the relevant Property must have been insured with an insurer acceptable to GMAC for at least the amount recommended for such purpose by a qualified surveyor and GMAC must have been either jointly insured with the Borrower, or its interest as mortgagee noted on the relevant insurance policy.
- Further Advances are governed by separate lending criteria and, together with the initial advances, may not exceed the maximum loan permitted by such lending criteria. Generally, the Borrower must not be in Arrears in relation to the existing GMAC Loan and should not have been in Arrears for any significant period of time immediately prior to the application for such Further Advance. The policy is, however, subject to exceptions, taken on a case-by-case basis.
- Borrowers instruct a firm of solicitors or licensed conveyancers to act on their behalf as well as on behalf of GMAC on the origination of the GMAC Loan. The nominated firm must meet certain minimum requirements. For instance, it must either have at least two practicing partners holding a current practising certificate or be on the GMAC's solicitors panel and it must have the benefit of professional indemnity insurance (the maximum amount claimable under such professional indemnity insurance being no less than £1,000,000). If the nominated firm of solicitors does not benefit from such professional indemnity insurance, GMAC reserves the right to instruct other solicitors to act on its behalf at the expense of the Borrower.

INSURANCE CONTRACTS

The following is an overview of the various insurance contracts which are relevant to the Mortgage Loans to be purchased by the Issuer and the activities of the Issuer and the Portfolio Administrator in relation to such contracts.

Buildings Insurance

The Issuer will have the benefit of insurance, in the name of BFL (the "Mortgage Impairment Contingency Policy") written by Lloyd's Syndicates. The Mortgage Impairment Contingency Policy indemnifies the insured for any loss suffered by it (i) arising by reason of damage to a Property occurring as a direct result of the failure of the Borrower to effect or renew adequate insurance cover, to make or pursue a legitimate insurance claim or to utilise the proceeds of any claim to repair such damage, to insure against the full range of perils required by the insured (ii) arising by reason of an inadvertent omission on the part of the insured to ensure that buildings insurance is in place on any Property and (iii) in respect of any possessed Properties (being at the date hereof the policy numbered no. FI0106314).

The Issuer is or will become a named insured under the Mortgage Impairment Contingency Policy. The Issuer's interest in the Mortgage Impairment Contingency Policy insurance policies will, if the Security Trustee is not itself insured thereunder, be assigned to the Security Trustee but no notice of this assignment will be given to the insurers. Any claim under the Mortgage Impairment Contingency Policy will be made by the Portfolio Administrator on behalf of the Issuer and the Security Trustee pursuant to the Administration Agreement.

As is customary for insurances of this type, the insurance described above is subject to exclusions and deductibles.

Other Miscellaneous Insurances

The Portfolio Administrator has insurance which covers loss arising from negligent acts, errors or omissions and dishonesty or fraud by the insured's staff, negligence or breach of duty by its directors and officers and fraudulent interference with computer systems or data. The Issuer will be endorsed as a named insured under each of these policies, and the Security Trustee's interest is expected to be noted on the policies, with effect from the completion of the acquisition of the Mortgages by the Issuer and execution of the Deed of Charge.

The solicitors who acted on behalf of the relevant Originator in relation to the Mortgages should be covered by the professional indemnity insurance which solicitors are required to maintain by The Law Society. This insurance should (if it has been taken out) provide compensation in the event that BFL or the Issuer has a claim against such solicitors for negligence which is not satisfied by such solicitors out of their own resources. Licensed conveyancers who acted on behalf of the relevant Originator in relation to the Mortgages should be covered by a professional indemnity scheme established under the Administration of Justice Act 1985. This scheme should provide compensation in the event that BFL or the Issuer has a claim against such licensed conveyancers for negligence which is not satisfied by such licensed conveyancers out of their own resources. Whether or not BFL or the Issuer has a valid claim against any solicitor or licensed conveyancer will depend, in part, on whether the rights of the Originator in respect of any such claim has been validly assigned to BFL and/or the Issuer, as the case may be, depending on the Originator of the relevant affected Mortgage Loan and, in particular, on whether any claim has become time barred under the statute of limitations, as more than six years has passed since the Mortgage Loan was originated and the applicable conveyancing carried out.

CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this Prospectus (including the tables below) has been compiled by reference to mortgage loans originated by BFL, or originated by GMAC and subsequently acquired by BFL, in a provisional portfolio (the "Provisional Portfolio") and extracted from the systems of BFL in respect of each mortgage loan in the Provisional Portfolio on 31 December 2014 (the "Portfolio Reference Date").

The Provisional Portfolio consisted of 1,431 mortgage loans originated by an Originator between 2003 and 2009 and secured over properties located in England and Wales. The aggregate Current Balance of the mortgage loans in the Provisional Portfolio as at the Portfolio Reference Date was £254,567,336. The Mortgage Portfolio, which will be sold to the Issuer on the Closing Date, will be selected from the Provisional Portfolio. Columns may not add up to 100% due to rounding. The Properties over which the mortgage loans in the Provisional Portfolio are secured have not been revalued for the purposes of the issue of the Notes. The characteristics of the Mortgage Portfolio will differ from those set out below as a result of, among other things, repayments and redemptions of mortgage loans in the Provisional Portfolio from the Portfolio Reference Date to the Closing Date and removal of any mortgage loans that do not comply with the Loan Warranties as at the Closing Date. If mortgage loans selected for the Mortgage Portfolio are repaid in full between 1 January 2015 and the Closing Date, the principal recoveries from that mortgage loan will form part of the Available Principal Receipts. Except as otherwise indicated, these tables have been prepared using the Current Balance of the mortgage loans in the Provisional Portfolio as at the Portfolio Reference Date, which includes all principal and accrued interest for the mortgage loans in the Provisional Portfolio.

Summary table of the Provisional Portfolio

Portfolio Reference Date:	31 December 2014
Current Balance (£):	£254,567,336
Original principal balance (£) (calculated by reference to the original principal balance of each Mortgage Loan as at its date of origination):	£255,615,288
No. of Mortgage Loans in the Provisional Portfolio:	1,431
Mortgage Loans originated by BFL:	
Number:	1,368
% of Mortgage Loans in the Provisional Portfolio (by number):	95.6%
Current Balance (£):	£246,316,032
% of Current Balance of Provisional Portfolio:	96.76%
Mortgage Loans originated by GMAC:	
Number:	63
% of Mortgage Loans in the Provisional Portfolio (by number):	4.4%
Current Balance (£):	£8,251,303

% of Current Balance of Provisional Portfolio:	3.24%
Average Current Balance of each Mortgage Loan (£):	£177,895
First legal mortgage/first ranking standard security %:	100%
Weighted average Original Loan to Value Ratio %:	83.2%
Weighted average Current (Indexed) Loan to Value Ratio %:	79.6%
Weighted average Current Loan to Value Ratio %:	83.1%
Weighted average margin %:	2.15%
Weighted average interest rate %:	2.67%
Interest-only Loans %:	98.95%
Weighted average seasoning (months):	86.51
Weighted average remaining term (years):	14.1
Mortgage Loans in Arrears %:	
No arrears:	93.14%
0 to (and including) 1 months:	3.9%
1 to (and including) 2 months:	1.22%
2 to (and including) 3 months:	1.36%
3 to (and including) 4 months:	0.19%
4 to (and including) 5 months:	0.04%
5 to (and including) 6 months:	0.15%
Top 10 borrower concentration (as % of Current Balance):	14.1%
Self-employed borrowers (as % of Current Balance):	59.14%
Self-certified borrowers (as % of Current Balance):	2.75%
Jumbo loans (>£250,000) %:	37.26%
Buy-To-Let Loans (as % of Current Balance):	94.66%
Buy-to-Let Loans originated by BFL:	94.26%
Buy-to-Let Loans originated by GMAC:	0.4%
Maximum Mortgage Loan size (£):	£2,298,365

Current Balances

The following table shows the distribution of Mortgage Loans by their Current Balance as determined on the Portfolio Reference Date.

Current Balance (£)	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
<= 100,000	312	21.80%	24,682,995	9.70%
100,000 < x <= 200,000	759	53.04%	107,390,694	42.19%
200,000 < x <= 300,000	226	15.79%	55,447,867	21.78%
300,000 < x <= 400,000	73	5.10%	24,987,332	9.82%
400,000 < x <= 500,000	27	1.89%	11,941,863	4.69%
500,000 < x <= 600,000	8	0.56%	4,300,089	1.69%
600,000 < x <= 700,000	9	0.63%	5,828,974	2.29%
700,000 < x <= 800,000	4	0.28%	3,004,127	1.18%
800,000 < x <= 900,000	3	0.21%	2,509,303	0.99%
900,000 < x <= 1,000,000	1	0.07%	974,765	0.38%
>1,000,000	9	0.63%	13,499,329	5.30%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by original loan to value ratios

The following table shows the range of original loan to value ratios, which express the original balance of each Mortgage Loan as at the date of origination of the initial advance of such Mortgage Loan divided by the original valuation of the Property securing the Mortgage Loan.

Original loan to value ratio (%)	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
20 < x <= 30	1	0.07%	30,538	0.01%
30 < x <= 40	4	0.28%	175,869	0.07%
40 < x <= 50	3	0.21%	359,227	0.14%
50 < x <= 60	16	1.12%	2,300,260	0.90%
60 < x <= 70	47	3.28%	14,133,841	5.55%
70 < x <= 80	175	12.23%	34,456,554	13.54%
80 < x <= 90	1,182	82.60%	202,824,722	79.67%
90 < x <= 100	3	0.21%	286,325	0.11%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by current loan to value ratios

The following table shows the range of current loan to value ratios, which are calculated by dividing the Current Balance of a Mortgage Loan as at the Portfolio Reference Date by the original value of the Property securing such Mortgage Loan.

Current loan to value ratio (%)	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
<= 10	2	0.14%	37,617	0.01%
10 < x <= 20	1	0.07%	13,058	0.01%
20 < x <= 30	5	0.35%	210,867	0.08%
30 < x <= 40	4	0.28%	228,027	0.09%
40 < x <= 50	6	0.42%	802,240	0.32%
50 < x <= 60	19	1.33%	2,645,593	1.04%
60 < x <= 70	58	4.05%	14,703,158	5.78%
70 < x <= 80	184	12.86%	36,507,953	14.34%
80 < x <= 90	1,131	79.04%	196,416,516	77.16%
90 < x <= 100	21	1.47%	3,002,307	1.18%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by current indexed loan to value ratios

The following table shows the distribution of the Mortgage Loans by their current indexed loan to value ratio as at the Portfolio Reference Date. Indexation has been achieved by taking the details of valuations of each Property as at the date of the origination of the related Mortgage Loan and adjusting this by the Halifax Price Index.

Current loan to value ratio (%)	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
<= 10	2	0.14%	37,617	0.01%
10 < x <= 20	1	0.07%	13,058	0.01%
20 < x <= 30	4	0.28%	180,329	0.07%
30 < x <= 40	10	0.70%	1,284,267	0.50%
40 < x <= 50	8	0.56%	1,247,987	0.49%
50 < x <= 60	40	2.80%	12,214,215	4.80%
60 < x <= 70	118	8.25%	30,852,346	12.12%
70 < x <= 80	373	26.07%	94,001,505	36.93%
80 < x <= 90	385	26.90%	55,601,027	21.84%
90 < x <= 100	428	29.91%	52,839,801	20.76%
100 < x <= 110	54	3.77%	5,666,045	2.23%
110 < x <= 120	8	0.56%	629,139	0.25%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by seasoning

The following table shows the distribution of Mortgage Loans by the number of months since the date of origination of the initial advance in respect of a Mortgage Loan as at the Portfolio Reference Date.

Seasoning (months)	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
65 < x <= 70	1	0.07%	246,538	0.10%
70 < x <= 75	2	0.14%	240,350	0.09%
75 < x <= 80	123	8.60%	23,306,368	9.16%
80 < x <= 85	581	40.60%	88,120,565	34.62%
85 < x <= 90	418	29.21%	86,332,200	33.91%
90 < x <= 95	237	16.56%	47,211,986	18.55%
95 < x <= 100	6	0.42%	858,025	0.34%
100 < x <= 105	42	2.94%	5,279,213	2.07%
105 < x <= 110	4	0.28%	743,335	0.29%
110 < x <= 115	9	0.63%	1,067,757	0.42%
115 < x <= 120	1	0.07%	376,274	0.15%
120 < x <= 125	5	0.35%	581,722	0.23%
135 < x <= 140	2	0.14%	203,003	0.08%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by original term

The following table shows the distribution of Mortgage Loans by their original term.

Original Term (Years)	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
<= 5	0	0.00%	0	0.00%
5 < x <= 10	77	5.38%	19,424,449	7.63%
10 < x <= 15	150	10.48%	27,874,645	10.95%
15 < x <= 20	330	23.06%	60,494,058	23.76%
20 < x <= 25	853	59.61%	143,906,151	56.53%
25 < x <= 30	16	1.12%	1,992,281	0.78%
30 < x <= 35	5	0.35%	875,752	0.34%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by years to maturity

The following table shows the distribution of Mortgage Loans according to the number of years remaining until their maturity as at the Portfolio Reference Date.

Remaining (Years)	Term	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
<= 0		0	0.00%	0	0.00%
0 < x <= 5		89	6.22%	23,218,420	9.12%
5 < x <= 10		159	11.11%	28,472,904	11.18%
10 < x <= 15		346	24.18%	61,152,844	24.02%
15 < x <= 20		818	57.16%	139,172,516	54.67%
20 < x <= 25		15	1.05%	1,779,327	0.70%
25 < x <= 30		4	0.28%	771,324	0.30%
Total		1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by Arrears

The following table shows the Mortgage Loans in the Provisional Portfolio which are in Arrears as at the Portfolio Reference Date.

Arrears	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
Yes	87	6.08%	17,458,443	6.86%
No	1,344	93.92%	237,108,892	93.14%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by number of months in Arrears

The following table shows the distribution of the Mortgage Loans by the number of months in Arrears as at the Portfolio Reference Date

Months in Arrears	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
0	1,344	93.92%	237,108,892	93.14%
0 < x <= 1	57	3.98%	9,930,088	3.90%
1 < x <= 2	15	1.05%	3,099,248	1.22%
2 < x <= 3	9	0.63%	3,458,689	1.36%
3 < x <= 4	3	0.21%	495,610	0.19%
4 < x <= 5	1	0.07%	96,619	0.04%
5 < x <= 6	2	0.14%	378,190	0.15%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by occupancy type

The following table shows the distribution of the occupancy types of the Mortgage Loans as at the Portfolio Reference Date.

Occupancy type	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
Residential	82	5.73%	13,591,928	5.34%
BTL	1,349	94.27%	240,975,408	94.66%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by repayment type

The following table shows the distribution of the repayment types if the Mortgage Loans as at the Portfolio Reference Date.

Repayment Type	Aggregate Current Balance (£)	% of total (by Current Balance)
Interest Only	251,889,319	98.95%
Principal Repayment	2,678,017	1.05%
Total	254,567,336	100.00%

Distribution of Mortgage Loans by interest rate type

The following table shows the distribution of the interest rate types of the Mortgage Loans as at the Portfolio Reference Date.

Interest rate type	Aggregate Current Balance (£)	% of total (by Current Balance)
BBR-Linked Loan	170,699,831	67.05%
LIBOR-Linked Loan	72,715,329	28.56%
SVR-Linked Loan	11,152,176	4.38%
Total	254,567,336	100.00%

Distribution of Mortgage Loans by current interest rates

The following table shows the distribution of the Mortgage Loans by applicable interest rate as at the Portfolio Reference Date.

Current interest rate range	Aggregate Current Balance (£)	% of total (by Current Balance)
1.24	587,387	0.23%
1.45	103,133	0.04%
1.65	113,350	0.04%
1.74	203,003	0.08%
2.45	195,062	0.08%
2.49	137,905,540	54.17%
2.55	72,159,662	28.35%
2.6	263,019	0.10%
2.61	292,648	0.11%
2.84	31,592,357	12.41%
3.63	151,664	0.06%
5.24	11,000,512	4.32%
Total	254,567,336	100.00%

Distribution of Mortgage Loans by self-certified Borrowers

The following table shows the distribution of self-certified Borrowers in respect of the Mortgage Loans as at the Portfolio Reference Date.

Self-Certified	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
Not Self-Certified	1,382	96.58%	247,575,433	97.25%
Self-Certified	49	3.42%	6,991,903	2.75%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of Mortgage Loans by self-employed Borrowers

The following table shows the distribution of self-employed Borrowers in respect of the Mortgage Loans as at the Portfolio Reference Date.

Self-Employed	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
Not Self-Employed	636	44.44%	104,011,465	40.86%
Self-Employed	795	55.56%	150,555,871	59.14%
Total	1,431	100.00%	254,567,336	100.00%

Previous bankruptcy(ies) / individual voluntary arrangements ("IVA")

The following table is based on data recorded as at the date of origination of the initial advance of each Mortgage Loan.

Bankruptcy / IVAs at origination	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
Yes	1	0.07%	196,065	0.08%
No	1,430	99.93%	254,371,271	99.92%
Total	1,431	100.00%	254,567,336	100.00%

Previous county court judgments ("CCJs")

The following table represents the distribution of Mortgage Loans according to whether the Borrower in respect of each Mortgage Loan had experienced a previous CCJ at the date of origination of the initial advance of the relevant Mortgage Loan.

Number of CCJs as at origination	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
Yes	12	0.84%	2,784,860	1.09%
No	1,419	99.16%	251,782,475	98.91%
Total	1,431	100.00%	254,567,336	100.00%

Distribution of the Mortgage Loans by Geographical distribution

The following table shows the regional distribution of the Properties securing the Mortgage Loans throughout England and Wales as at the Portfolio Reference Date.

Region	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
East Anglia	80	5.59%	10,489,200	4.12%
East Midlands	131	9.15%	15,609,730	6.13%
North	51	3.56%	5,004,407	1.97%
North West	252	17.61%	33,341,161	13.10%
South East (including London)	621	43.40%	151,267,801	59.42%
South West	69	4.82%	10,829,996	4.25%
Wales	58	4.05%	7,191,115	2.82%
West Midlands	71	4.96%	11,791,691	4.63%
Yorkshire & Humberside	98	6.85%	9,042,235	3.55%
Total	1,431	100.00%	254,567,336	100.00%

Rental income at origination divided by current contractual payments (Buy-to-Let Loans only)

The following table shows the distribution of Buy-to-Let Loans in the Provisional Portfolio by rental income at as the date of origination of the initial advance of the Buy-to-Let Loans divided by current contractual payment.

Rental income at origination divided by current contractual payment	Number of Mortgage Loans	% of total (by number of Mortgage Loans)	Aggregate Current Balance (£)	% of total (by Current Balance)
0	14	1.04%	2,582,242	1.07%
0.5 < x <= 1.0	5	0.37%	476,374	0.20%
1.0 < x <= 1.5	19	1.41%	2,052,103	0.85%
1.5 < x <= 2.0	46	3.41%	8,152,946	3.38%
2.0 < x <= 2.5	903	66.94%	174,425,705	72.38%
2.5 < x <= 3.0	285	21.13%	42,965,747	17.83%
3.0 < x <= 3.5	54	4.00%	8,196,597	3.40%
> 3.5	23	1.70%	2,123,693	0.88%
Total	1,349	100.00%	240,975,408	100.00%

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

Mortgage Portfolio

Under a mortgage sale agreement entered into on or around the Closing Date between, among others, the Seller, BFL, the Issuer, the Security Trustee, the Portfolio Administrator and the Special Servicer (the "Mortgage Sale Agreement") the Seller shall (in consideration for payment of the Initial Consideration and the deferred consideration as described below) 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 a Mortgage and, where applicable, other Related Security (the "Mortgage Loans").

The Mortgage Loans and their Related Security comprising the Mortgage Portfolio will be assigned by way of equitable assignment to the Issuer, referred to as the "sale" by the Seller to the Issuer of the Mortgage Loans and Related Security. The Mortgage Loans and Related Security sold by the Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement and all monies derived therefrom from time to time are referred to herein as the "Mortgage Portfolio".

The consideration due to the Seller in respect of the sale of the Mortgage Portfolio shall be:

- (A) the Initial Consideration in an amount equal to the Current Balance of the Mortgage Loans in the Mortgage Portfolio as at 1 January 2015, 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 Mortgage 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 Interest Receipts Prior to the Service of an Enforcement Notice on the Issuer*", "*Cashflows – Application of Available Principal 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.

The Seller shall transfer to the Issuer within 2 Business Days of the Closing Date, an amount equal to the aggregate of (1) all Principal Collections received on the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio from (and including) 1 January 2015 to (but excluding) the Closing Date; and (2) the greater of (a) zero; and (b) (i) all Interest Collections received on the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio from (and including) 1 January 2015 to (but excluding) the Closing Date, less (ii) an amount equal to any Retained Accrued Interest (which the Seller will be entitled to retain).

"Retained Accrued Interest" means any interest accruing in respect of any Mortgage Loan in the period from (and including) 1 January 2015 to (but excluding) the Closing Date, provided that such Mortgage Loan is not in arrears with respect to the payment of any amount as at the Closing Date.

Title to the Mortgages, Registration and Notifications

The completion of the transfer of the Mortgage 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 Mortgage Loans and their Related Security therefore

remains with BFL until the occurrence of a Perfection Event. Notice of the sale of the Mortgage 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 BFL on or before the 20th Business Day after any of the following Perfection Events occurs:

- (A) BFL being required to perfect legal title to the Mortgage Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over BFL or by any organisation of which BFL is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for BFL to comply, to perfect legal title to the Mortgage 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) BFL 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 BFL;
- (F) the occurrence of an Portfolio Administrator Termination Event, a Special Servicer Termination Event or a Cash Administrator Termination Event;
- (G) the service of an Enforcement Notice on the Issuer by the Note Trustee; or
- (H) it becoming unlawful in any applicable jurisdiction for BFL to hold legal title in respect of any Mortgage Loan or its Related Security in the Mortgage 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.

Following a Perfection Event, notice of the legal assignments will be given to the Borrowers and the Issuer will take steps to register and record such legal assignments at the Land Registry.

Save for Title Deeds held at the Land Registry, all the Title Deeds and the mortgage files and computer tapes relating to each of the Mortgage Loans and their Related Security are held by BFL or the Portfolio Administrator or HML as the delegate of the Portfolio Administrator under the terms of the Administration Agreement (on behalf of BFL) or its solicitors or agents and the Title Deeds are held in dematerialised form or are returned to the Borrower's solicitors.

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 and BFL contained in the Mortgage Sale Agreement.

"Loan Files" means, in respect of any Mortgage Loan comprised in the Mortgage Portfolio, the file or files relating to such Mortgage Loan (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) containing *inter alia* correspondence between the relevant Borrower and BFL and including mortgage documentation applicable to such Mortgage Loan, each letter of offer for such Mortgage Loan, the Valuation Report (if applicable) in respect of the related Property and, to the extent available, the solicitor's or licensed conveyance's certificate of title in respect of the related Property.

"Title Deeds" means, in relation to each Mortgage 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 Mortgage Loan and all searches and enquiries undertaken in connection with the grant by the relevant Borrower of the related Mortgage.

"Valuation Report" means, in respect of any Mortgage Loan, the valuation report or reports for mortgage purposes obtained by the relevant Originator from a valuer in respect of each Property that is the subject of the Mortgage in respect of such Mortgage Loan.

Conditions to Sale

The sale of Mortgage 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 and BFL in respect of the Mortgage Loans and their Related Security sold by the Seller to the Issuer on the Closing Date.

The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller and BFL 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):

- (A) each Mortgage relating to a Mortgage Loan constitutes a valid and subsisting first legal mortgage over the relevant Property;

- (B) all the Title Deeds and Loan Files relating to the Mortgage Loans are held by, or to the order of, BFL or have been returned to the relevant Borrower's solicitors;
- (C) all steps necessary with a view to perfecting BFL's legal title to each Mortgage Loan and its Related Security were duly taken at the appropriate time;
- (D) in relation to each Mortgage over a Property, either:
 - (i) in relation to Mortgage Loans which are not the subject of a Title Insurance Policy, the Borrower has a good and marketable title to the relevant Property and the relevant Property has been registered with such title as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender; or
 - (ii) title to the relevant Property is the subject of a valid policy of insurance in respect of title (howsoever described) (a "Title Insurance Policy") issued by a provider of such insurance policies with respect to England and Wales (a "Title Insurance Provider") and each such Title Insurance Policy is in full force and effect and all premiums thereon due on or before the date this warranty is given have been paid in full and neither BFL nor the Seller is aware of any circumstances giving the Title Insurance Provider the right to avoid or terminate such policy;
- (E) each Mortgage Loan and its related Mortgage constitutes a legal, valid and binding obligation of the related Borrower enforceable in accordance with its terms and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to BFL in priority to any other charges registered against the relevant Property (except enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors rights generally and the courts discretion in relation to equitable remedies);
- (F) each Mortgage Loan and its Related Security agreed to be sold by the Seller to the Issuer under the Mortgage Sale Agreement is freely assignable or transferable by the Seller and its successors in title;
- (G) all formal approvals, consents and other steps necessary to permit each transfer or assignment of any Mortgage Loan or its Related Security by the Seller contemplated by the Mortgage Sale Agreement have been obtained or taken;
- (H) neither the Seller, BFL nor, as far as the Seller or BFL is aware, GMAC has waived or agreed to waive any of its rights under or in relation to any Mortgage Loan or its Related Security, including any right against any valuer, solicitor, licenced or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Mortgage Loan or its Related Security, other than in respect of Mortgage Loans made to one Borrower¹¹;
- (I) no lien or right of set-off or counterclaim has been created or arisen between the mortgagee and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Mortgage Loan;

¹¹ The Portfolio Administrator undertook a review of the 11 accounts associated with the relevant Borrower in 2012. The review identified that the conveyancing solicitor had not fully disclosed that such Borrower was a related party to entities that had previously owned the secured Properties, which, in the ordinary course, may have led to a professional negligence claim. However, as no losses had been suffered, and given professional negligence claims would shortly have become time-barred, a commercial settlement was reached under which the Seller received a payment of £134k from the conveyancing solicitor. The relevant Borrower's mortgage accounts are fully performing with no missed payments in the last 24 months, have an aggregate balance of £2,192,649 and a weighted average re-indexed loan to value ratio of 79.9% as at the Portfolio Reference Date.

- (J) BFL has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, disposed of or dealt with the benefit of any of the Mortgage Loans or their Related Security or any of the other 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 (i) the Mortgage Sale Agreement and (ii) the mortgage sale agreement and security documents entered into by, among others, BFL and the Seller, in connection with the acquisition of the Mortgage Loans and their Related Security by the Seller;
- (K) the only party, other than the Seller, having an interest in the Mortgage Loans and their Related Security is BFL, in its capacity as bare trustee of the legal title to the Mortgage Loans and their Related Security held for the Seller;
- (L) immediately prior to the transfer of the Mortgage Loans and their Related Security under the Mortgage Sale Agreement, BFL was the legal owner, and the Seller was the absolute beneficial owner, of all of the Mortgage Loans and their Related Security free and clear of all mortgages, securities, charges, liens and encumbrances (subject to the Borrower's right of redemption and other rights under or arising from the Mortgage Loans and Related Security) and the Seller has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, released, disposed of or dealt with the benefit of any of the Mortgage Loans or their Related Security in any way whatsoever other than pursuant to the Mortgage Sale Agreement;
- (M) each Basinghall Loan and, as far as BFL and the Seller are aware, each GMAC Loan and, in each case, its related Mortgage was made on the Standard Documentation which was used by the relevant Originator at the time of origination of such Mortgage Loan and its related Mortgage without any material variation thereto or, where there were any changes, those changes would have been acceptable to a Reasonable, Prudent Residential Mortgage Lender;
- (N) prior to the granting of a Basinghall Loan or, as far as BFL and the Seller are aware, a GMAC Loan, the applicable Lending Criteria of the relevant Originator in effect at the time of origination and all other conditions precedent to making such Mortgage Loan were satisfied in all material respects, subject only to such exceptions as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender;
- (O) at the date of origination of each Mortgage Loan, the relevant Originator received from its solicitors a Certificate of Title or equivalent document in respect of the relevant Property addressed to the relevant Originator. The Certificate of Title or equivalent document disclosed nothing which would, if applicable, after further investigation, cause a Reasonable, Prudent Residential Mortgage Lender to decline to proceed with the Mortgage Loan on the proposed terms;
- (P) each Property is a residential property;
- (Q) each Property is located in England or Wales;
- (R) each Borrower in respect of a Basinghall Loan and, so far as the Seller or BFL is aware, each Borrower in respect of a GMAC Loan is a natural legal person and was aged 18 years or older at the date that he or she executed the relevant Mortgage Loan;
- (S) at origination, each Borrower was resident in England and Wales or had legal right of residency in England and Wales;
- (T) prior to making each Basinghall Loan and, as far as BFL and the Seller are aware, each GMAC Loan, the relevant Property was valued by a qualified surveyor (having an ARICS or equivalent qualification) chosen from a panel of valuation firms by the relevant Originator and such valuation did not disclose anything which would, if applicable, after

further investigation, cause a Reasonable, Prudent Residential Mortgage Lender to decline to proceed with the Mortgage Loan on the proposed terms;

- (U) in relation to any leasehold Property, in any case where BFL has received written notice from the relevant landlord that it is or may be taking steps to forfeit the lease of that Property, BFL has taken, or has instructed solicitors to take, such steps (if any) and in such time as would be taken by a Reasonable, Prudent Residential Mortgage Lender to protect its security and the relevant Mortgage Loan;
- (V) BFL has not given express written consent to the grant of a tenancy by a Borrower in circumstances where no Reasonable, Prudent Residential Mortgage Lender at the time such consent was given would give such consent;
- (W) the information relating to the Mortgage Loans as set out in the annexure to the Mortgage Sale Agreement is, to the best of BFL's and the Seller's knowledge, information and belief, true and accurate;
- (X) neither BFL nor the Seller has received written notice of any litigation or claim (i) calling into question in any material way the legal and/or beneficial title to any Mortgage Loan or its Related Security of BFL or the Seller, respectively, or their ability to fully, effectively and promptly enforce the same or (ii) which, if adversely determined, would have a material adverse effect on the amounts recoverable in relation to any of the Mortgage Loans;
- (Y) as far as BFL and the Seller are aware, and other than in the case of any Mortgage Loan in relation to which the related Borrower is in arrears in payment of amounts due, there are no outstanding claims in respect of any material breaches of the terms of any Mortgage Loan or its Related Security;
- (Z) in respect of each Basinghall Loan and, as far as BFL and the Seller are aware, in respect of each GMAC Loan, solicitors were instructed to ensure that every person who, at the date upon which the relevant Mortgage Loan was made, had attained the age of 18 and who had been notified to the relevant Originator as residing or being about to reside in a Property subject to a Mortgage, is either (i) the relevant Borrower (ii) in the case of a Buy-to-Let Loan, a tenant (or person related to a tenant) or (iii) has signed a deed of consent so as to ensure that the relevant Property is not subject to any right of occupancy;
- (AA) no Basinghall Loan and, as far as BFL and the Seller are aware, no GMAC Loan is guaranteed by a third party;
- (BB) neither BFL nor the Seller have received notice of the sequestration or (save in the case of three Mortgage Loans¹²) the death of any Borrower;
- (CC) to the best of BFL's knowledge, information and belief, as at the date of origination of each Mortgage Loan, no fraud, misrepresentation or concealment had been perpetrated in respect of such Mortgage Loan by: (i) any person who prepared a valuation of the relevant Property; or (ii) any insurance broker or agent in relation to any insurance policy entered into in connection with the relevant Property; or (iii) any solicitors who acted for the relevant Originator in relation to any Mortgage Loan; or (iv) any Borrower of any Mortgage Loan;
- (DD) in respect of each Basinghall Loan and, as far as BFL and the Seller are aware, in respect of each GMAC Loan, (i) the proposed limitations or exclusions of the liability of the

¹² As of the date of this Prospectus, the Portfolio Administrator has been notified of the death of three Borrowers. The Portfolio Administrator is currently in the process of working with the estate of the deceased Borrowers or, as appropriate, the surviving joint borrower, to either transfer the mortgage into the surviving joint Borrower's name only or arranging for an orderly settlement of the relevant Mortgage Loan.

relevant Originator contained in the Loan Agreement relating to such Mortgage Loan are fair and reasonable having regard to the circumstances of the particular Borrower for the purposes of the Unfair Contract Terms Act 1977 (the "UCTA") and are not "unfair terms" within the meaning of the UTCCR; and (ii) to the extent that the Loan Agreement relating to such Mortgage Loan was entered into after 1 July 1995 between the relevant Originator and a "consumer" and such Loan Agreement was not "individually negotiated" with such consumer (as such terms are defined the UTCCR), none of the terms contained in such Loan Agreement are unfair terms within the meaning of the UTCCR;

- (EE) no Loan Agreement relating to a Mortgage Loan is or includes a consumer credit agreement (as defined in Section 8 of the CCA) or a regulated credit agreement (as defined in section 60B of the RAO) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof or, to the extent that it is so regulated or partly regulated, all the requirements of the Consumer Credit Act 1974 and as applicable the RAO and FCA Handbook have been met in full;
- (FF) BFL has at all relevant times held, and continues to hold, authorisation and appropriate permissions from the FCA for conducting all regulated activities specified in the RAO carried on by it in respect of each Mortgage Loan and its Related Security;
- (GG) the Seller and BFL have at all relevant times held, and continue to hold a registration under the Data Protection Act 1998;
- (HH) each of the Seller and BFL has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;
- (II) each of BFL and, as far as the Seller and BFL are aware, GMAC has complied with all applicable material requirements of law or of any person who has regulatory authority which has the force of law in respect of each Basinghall Loan or GMAC Loan (as applicable) and, in each case, its Related Security, in particular the provisions of the Mortgage Conduct of Business Rules set out in the FCA Handbook as amended from time to time;
- (JJ) the amount of each Mortgage Loan has been fully advanced to the relevant Borrower and the Loan Agreements relating to each Mortgage Loan contain no obligation on the part of BFL to make any Further Advance or agree to any Port;
- (KK) interest on each Mortgage Loan is charged on such Mortgage Loan in accordance with the provisions of that Mortgage Loan and its related Mortgage;
- (LL) all the Mortgage Loans are governed by English law;
- (MM) no Mortgage Loan has a final maturity beyond the date falling two years prior to the Final Maturity Date;
- (NN) no scheduled contractual payment in respect of a Mortgage Loan is more than six months in Arrears;
- (OO) all fees are either charged to the relevant Borrower or waived in accordance with the practice of a Reasonable, Prudent Residential Mortgage Lender. No Early Repayment Charges are payable in respect of any Mortgage Loan;
- (PP) no Mortgage Loan has a Current Balance of less than £5,000 or greater than £2,350,000;

- (QQ) each of the Seller and BFL have procured that, since the date upon which it originated or acquired the Mortgage Loans (as applicable), full and proper accounts, books and records have been kept showing clearly all transactions, payments, receipts and proceedings relating to the Mortgage Loans and their Related Security and all such accounts, books and records are up to date, accurate and in the possession of BFL or the Seller (as applicable) or held to its order;
- (RR) the first payment due in respect of each Mortgage Loan has been paid by the relevant Borrower;
- (SS) the Mortgage Conditions for each Mortgage Loan require the Property over which such Mortgage Loan is secured to be insured to an amount not less than the full reinstatement cost as determined by the relevant valuer or automated valuation model (as applicable), and as at the date of origination of each Mortgage Loan, the Third Party Buildings Policy taken out by the relevant Borrower was in full force and effect, valid and enforceable and, so far as BFL and the Seller are aware, either (i) all premiums have been paid and there is no reason why an insurer may refuse to accept liability under the relevant Third Party Buildings Policy or (ii) the relevant Property is covered by the Mortgage Impairment Contingency Policy;
- (TT) no Mortgage Loan is a loan which has been made in whole or in part to a Borrower for the purposes of enabling that Borrower to exercise his or her right to buy the relevant Property under the "Right to Buy" scheme of Part V of the Housing Act 1985 (as amended) from a local authority, registered social landlord or other public sector landlord from whom he or she was renting the Property;
- (UU) none of the Mortgage Loans are the subject of a shared ownership arrangement where the related Mortgage is only secured over part (rather than the whole) of the beneficial interest in the Property;
- (VV) no Mortgage Loan is currently repayable in a currency other than sterling and the currency of the repayments cannot be changed by the Borrower to a currency other than sterling;
- (WW) no Borrower is or has been within the last 12 months an employee or director of BFL;
- (XX) none of the Mortgage Loans or their Related Security consist of or include any "stock" or "marketable securities" within the meaning of section 125 of the Finance Act 2003, "chargeable securities" (for the purposes of section 99 of the Finance Act 1986) or a "chargeable interest" (for the purposes of section 48 of the Finance Act 2003);
- (YY) in the case of each Basinghall Loan and, as far as BFL and the Seller are aware, each GMAC Loan which is secured over leasehold property:
- (i) the solicitors were instructed to obtain any requisite consent of the landlord to, or notice to the landlord of, the creation of the Mortgage; and
 - (ii) the relevant solicitor acting on the relevant Originator's behalf has arranged for a copy of the relevant consent or notice to be retained;
- (ZZ) no payment protection insurance has at any time been sold in respect of any Basinghall Loan nor, as far as the Seller and BFL are aware, any GMAC Loan and there are no outstanding claims or proceedings, and neither the Seller nor BFL is aware of any pending action or proceeding, relating to the mis-selling of insurance in respect of any Mortgage Loan; and

(AAA) each Mortgage Loan was originated by either BFL or GMAC (and, in the case of the latter, subsequently acquired by BFL) and purchased by the Seller from BFL in the ordinary course of its business.

Neither the Security Trustee, the Arranger nor the Joint Lead Managers 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 and BFL to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

Repurchase by the Seller and BFL

The Seller and BFL will agree to be jointly and severally liable for the repurchase of any Mortgage Loan and its Related Security sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller and BFL in relation to that Mortgage Loan and/or its Related Security proves to have been materially untrue as at the Closing Date and that default has not been remedied in accordance with the Mortgage Sale Agreement. Any Mortgage Loans and their Related Security will be required to be repurchased following receipt by the Seller and BFL 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 or BFL to repurchase the relevant Mortgage Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement. The Seller and BFL will additionally be required to repurchase any Mortgage Loan where BFL has elected to make a Further Advance, Product Switch or Port available to a Borrower, prior to such Further Advance, Product Switch or Port being made.

Repurchase due to unfair terms for recovery of interest or breach of obligations by the Seller or BFL

The Seller, BFL 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 Mortgage Loan and its Related Security is unfair; or
- (B) 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 or BFL relating to the interest payable by or applicable to a Borrower under any Mortgage Loan,

then, subject to the receipt by the Issuer and the Security Trustee of a certificate signed by the Portfolio Administrator stating that such a determination has been made under paragraph (A) or (B) above (which the Security Trustee shall be entitled to accept as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Secured Creditors), the Issuer will serve upon the Seller and BFL a Mortgage Loan Repurchase Notice requiring the Seller or BFL (with joint and several liability) to repurchase the relevant Mortgage Loan and its Related Security and, following receipt of such Loan Repurchase Notice, the Seller or BFL shall be required to repurchase the relevant Mortgage 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 or BFL of the Mortgage Portfolio to effect a redemption of the Notes pursuant to the Issuer's optional redemption rights under Condition 8.3 (*Optional Redemption of the Notes in full*) (where the Optional Repurchase Price will be payable), the consideration payable by the Seller or BFL in respect of the repurchase of an affected Mortgage Loan and its Related Security shall be equal to the Current Balance of such Mortgage Loan (disregarding for the purposes of any such calculation, any porting in relation to such Mortgage Loan) as at the relevant date of any such repurchase, plus the Issuer's reasonable

costs and expenses (if any) associated with the transfer of such Mortgage Loan and its Related Security to the Seller or BFL (as the case may be).

Optional repurchase of the Mortgage Portfolio

On any Business Day falling (a) in an Optional Repurchase Period or (b) on and from any Cut-Off Date on which the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) was equal to or less than 10% of the aggregate Principal Amount Outstanding of the Notes on the Closing Date but on or before the Calculation Date after such Cut-Off Date, the Seller may offer to purchase, and the Issuer may, in its absolute discretion, accept such offer to purchase all (but not some) of the Mortgage Portfolio at its Optional Repurchase Price (without exercise of any set-off or netting rights in respect of the payment thereof).

The Issuer shall transfer to the Seller as soon as reasonably practicable all amounts received on the Mortgage Loans and their Related Security received by the Issuer from (and including) the Monthly Cut-Off Date immediately preceding the Optional Repurchase Date to (but excluding) the Optional Repurchase Date (such amounts being "Optional Repurchase Collections").

As used in this Prospectus:

"Buildings Policy" means, in respect of a Mortgage, a buildings insurance policy with a reputable insurer which relates to a Property and is not the Mortgage Impairment Contingency Policy.

"Business Day" means a day (other than a Saturday or Sunday or a public holiday) on which banks are open for business in London and which is also a day on which the Trans-European Automated Real-time Gross settlement Express Transfer System (which utilises a single shared platform and was launched on 19 November 2007) is operating.

"Calculation Date" means, in relation to a Collection Period, the day falling 4 Business Days prior to the Interest Payment Date immediately following the end of such Collection Period.

"Collection Period" means the quarterly period commencing on (and including) a Cut-Off Date and ending on (but excluding) the immediately following Cut-Off Date, except that the first Collection Period will commence on (and include) 1 January 2015 and end on (and exclude) the Cut-Off Date falling in June 2015.

"Cut-Off Date" means the first calendar day of March, June, September and December except that the first Cut-Off Date will be 1 January 2015.

"Deed of Postponement" means any agreement, deed or letter of consent and postponement given in connection with a Mortgage Loan whereby any mortgagee (other than BFL) of, or any occupier or other person aged eighteen years or over who is not a party to the relevant Mortgage interested in, the relevant Property, has agreed to postpone his interest (if any) in the relevant Property so that it ranks after that of BFL.

"Enforced Loan" means a Mortgage Loan in respect of which the Related Security has been enforced and the related Property has been sold.

"Further Advance" means, as the context may require, an advance or deemed advance of further monies to the Borrower of a Mortgage Loan on security of the same Mortgage and other Related Security.

"Insurance Contracts" means, in respect of the Mortgages:

- (A) each Buildings Policy;
- (B) the Mortgage Impairment Contingency Policy; and

(C) each Title Insurance Policy.

"Loan Agreement" means, in relation to a Mortgage Loan, the loan agreement entered into between the relevant Borrower and the relevant Originator.

"Monthly Cut-Off Date" means the first day of each calendar month.

"Optional Repurchase Price" means, in respect of the repurchase by the Seller of the Mortgage Portfolio in full pursuant to the Mortgage Sale Agreement, an amount equal to the greater of:

- (A) the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) comprising the Mortgage Portfolio determined as at the immediately preceding Monthly Cut-Off Date; and
- (B) without double-counting, the greater of (i) zero and (ii) the amount required by the Issuer to pay in full all amounts payable under items (A) to (V) (inclusive), where the relevant Interest Payment Date falls on or prior to the Step-Up Date, or under items (A) to (R) (inclusive), where the relevant Interest Payment Date falls after the Step-Up Date, of the Pre-Enforcement Interest Priority of Payments, and items (A) to (N) (inclusive) of the Pre-Enforcement Principal Priority of Payments, in each case on the immediately following Interest Payment Date, less any Available Interest Receipts and Available Principal Receipts otherwise available to the Issuer,

in each case, plus the Issuer's costs and expenses associated with transferring its interests in any Mortgage Loan and its Related Security to the Seller (if any).

"Port" means the transfer of the Mortgage in respect of a Mortgage 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 Mortgage Loan.

"Product Switch" means any variation in the financial terms and conditions applicable to a Mortgage Loan other than any variation:

- (A) agreed with the Borrower to control or manage actual or anticipated arrears on the Mortgage Loan;
- (B) in the maturity date of the Mortgage Loan (unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes in which case such variation will constitute a Product Switch);
- (C) imposed by statute;
- (D) in the rate of interest payable in respect of a Mortgage Loan made in accordance with the terms and conditions of such Mortgage Loan;
- (E) in the frequency with which the interest payable in respect of the Mortgage Loan is charged; or
- (F) agreed with a Borrower to change the Mortgage Loan from an Interest-only Loan to a Repayment Loan.

"Property" means a freehold, leasehold or commonhold residential property or residential property held under long lease, which, in each case, is located in England and Wales and upon which the repayment of a Mortgage Loan is secured.

"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 or Wales and which have in all material respects the same or similar characteristics to the Mortgage Portfolio and are originated, administered and held to maturity to lending standards, lending criteria and procedures as ought to have been applied in relation to the Mortgage Portfolio or, if the relevant context relates to a specific Mortgage Loan, as ought to have been applied in relation to such Mortgage Loan.

"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 Mortgage Loan, the security granted for the repayment of that Mortgage Loan by the relevant Borrower including the relevant Mortgage and all rights, remedies or benefits related thereto including:

- (A) the benefit of all affidavits, consents, renunciations, guarantees, indemnities, waivers and postponements (including any Deed of Postponement) from occupiers and other persons having an interest in or rights in connection with the relevant Property;
- (B) each right of action of BFL 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 given or received in connection with all or part of any Mortgage Loan and its Related Security or affecting the decision of the mortgagee to make or offer to make all or part of the relevant Mortgage Loan; and
- (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 taken out by or on behalf of the relevant Borrower (including the Insurance Contracts) deposited, charged, obtained, or held in connection with the relevant Mortgage Loan, Mortgage and/or Property and relevant Loan Files;

"Standard Documentation" means the standard documentation of each Originator, a list or CD of which is set out in or appended to Exhibit 1 to the Mortgage Sale Agreement, or any update or replacement therefor as permitted by the terms of the Mortgage Sale Agreement.

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.

Administration Agreement

The Issuer, the Security Trustee, BFL as legal title holder, the Portfolio Administrator, the Cash Administrator and the Special Servicer will enter into, on or around the Closing Date, an agreement pursuant to which the Portfolio Administrator will agree to service the Mortgage Loans and their Related Security (the "Administration Agreement").

Duties of the Portfolio Administrator

The Portfolio Administrator is required to administer the Mortgage Portfolio on behalf of the Issuer and the Security Trustee under the Administration Agreement. The duties of the Portfolio Administrator under the Administration Agreement (the "Portfolio Management Services") include, amongst other things:

- (A) maintaining the Mortgage Loan account in respect of each Borrower, making appropriate debit and credit entries in accordance with the relevant Mortgage Conditions, and sending each Borrower an account statement every three months;

- (B) collecting the scheduled monthly payments due on the Mortgage Loans. Payments due on the majority of the Mortgage Loans are settled by direct debit. The Portfolio Administrator is, therefore, required to present to the relevant bank the direct debit instruction approximately five days before the relevant payment date;
- (C) notifying Borrowers of changes in their scheduled monthly payments;
- (D) dealing with the administrative aspects of redemption of a Mortgage Loan. This includes arranging for the release of the Title Deeds relating to the relevant Property together with the deed of release (or, as applicable, a discharge) of the Mortgage to the relevant Borrower upon receipt of amounts required to pay the Mortgage Loan; and
- (E) dealing with enquiries and requests from Borrowers. These may include (but are not limited to) providing a credit reference from BFL, consenting to a transfer from joint Borrowers to a single Borrower (for example, upon a divorce), approving a tenancy agreement where a Borrower wishes temporarily to let the Property and providing details of the current outstanding balance;
- (F) arranging all lender insurance that a Reasonable, Prudent Residential Mortgage Lender would consider prudent in the circumstances to obtain; and
- (G) carrying out enforcement proceedings in accordance with the terms of the Administration Agreement.

The Portfolio Administrator will be obliged under the Administration Agreement to act upon the instructions of the Special Servicer in relation to certain aspects of the administration of the Mortgage Loans. The Special Servicer shall exercise such discretion as is vested in it for the purpose of administering the Mortgages as would be exercised by a Reasonable, Prudent Residential Mortgage Servicer.

Covenants of the Portfolio Administrator

The Portfolio Administrator covenants, in the Administration Agreement, amongst other things, that:

- (A) it shall devote such time and attention and shall exercise all such skill, care and diligence as necessary to ensure proper performance and discharge of the Portfolio Administrator's obligations and undertakings contained in the Administration Agreement as would a Reasonable, Prudent Residential Mortgage Servicer administering mortgages of which it is the mortgagee and shall have due and proper regard to the principles and procedures set out in the Services Specification;
- (B) it will use its best endeavours to obtain and keep in force all licences, approvals, registrations, authorisations and consents which may be necessary in connection with the performance of the Portfolio Management Services and the other obligations contained in the Administration Agreement and in particular any applicable authorisations, licences or registrations of the Portfolio Administrator under the Data Protection Act 1998 and the FSMA and shall not, in any event, transfer any data that would be considered "personal data" under the Data Protection Act 1998 to any country outside the European Economic Area unless the Portfolio Administrator has taken all necessary measures to ensure that the transferred data is given an adequate level of protection and that the transfer is in accordance with the Data Protection Act 1998;
- (C) it shall comply with all legal requirements including, without limitation, all applicable laws and regulations (including without limitation all applicable rules of the Financial Conduct Authority in MCOB, the Insurance Conduct of Business Source Book or otherwise) in the

performance of the Portfolio Management Services and the other obligations of the Portfolio Administrator contained in the Administration Agreement;

- (D) following the Closing Date, in respect of all payments made or received in respect of the Mortgage Loans and their Related Security where such payments or receipts are made by direct debit the Portfolio Administrator will use its reasonable endeavours to ensure that these will be paid directly into the Collection Accounts and cheques or other receipts received by it in respect of any Mortgage Loan are transferred to the Collection Accounts as soon as reasonably practicable following receipt; and
- (E) it shall make all payments required to be made by it pursuant to the Administration Agreement on the due date for payment thereof in sterling for value on such day without set-off (including, without limitation, any fees owed to it) or counterclaim but subject to any deductions required by law;
- (F) it will take all reasonable steps to enforce the obligations of, and pursue any remedies against, HML pursuant to the HML Delegation Agreement, for so long as the provision of the Portfolio Administration Services is delegated to HML;
- (G) it will monitor the compliance by HML of its obligations pursuant to the HML Delegation Agreement and will notify the Issuer, BFL as legal title holder of the Mortgage Loans and their Related Security, the Special Servicer and the Security Trustee if it becomes aware of any breach of such obligations for so long as (and to the extent that) the provision of the Portfolio Administration Services is delegated to HML; and
- (H) it will (i) provide services to the Issuer in connection with the perfection of the sale of the Mortgage Loans and their Related Security to the Issuer; (ii) deliver notices to the Issuer and the Security Trustee upon becoming aware of any breach of Loan Warranty or other fact or circumstance that would require BFL or the Seller to repurchase a Mortgage Loan and its Related Security; and (iii) provide services to the Issuer in connection with effecting repurchases of Mortgage Loans and their Related Security pursuant to the Mortgage Sale Agreement.

Delegation of the Portfolio Management Services

With effect from the Closing Date, the Portfolio Administrator will delegate the performance of the Portfolio Management Services to Homeloan Management Limited ("HML") pursuant to the terms of the HML Delegation Agreement. Under the Administration Agreement, the Portfolio Administrator is only entitled to terminate such delegation to HML if the following conditions are satisfied: (i) the prior written consent of the Issuer and, following the delivery of an Enforcement Notice, Security Trustee has been obtained; (ii) none of the Rating Agencies, having been notified of the proposed arrangement, has indicated that the then current rating of any of the Rated Notes will be suspended, withdrawn, or downgraded, or otherwise adversely affected as a result of the alteration of the delegation arrangements; and (iii) any replacement sub-contractor or delegate will perform the mortgage administration functions on behalf of the Portfolio Administrator so as to ensure that BFL (in its capacity as Portfolio Administrator) complies with its obligations under the FSMA and MCOB.

Notwithstanding the delegation by the Portfolio Administrator of the performance of the Portfolio Management Services to HML, or otherwise, the Portfolio Administrator will remain responsible for the performance of such obligations under the Administration Agreement.

Fees of the Portfolio Administrator

The Portfolio Administrator is entitled to charge the Senior Portfolio Administration Fee and the Subordinated Portfolio Administration Fee for its mortgage settlement and related administration

services under the Administration Agreement, payable by the Issuer on each Interest Payment Date (subject to the proviso below and to the relevant Priority of Payments) in arrears.

In addition, the Issuer shall reimburse the Portfolio Administrator, on each Interest Payment Date and in accordance with the relevant Priority of Payments, for all reasonable out-of-pocket costs, expenses and charges (save for any costs of sub-contractors or delegates for which the Portfolio Administrator is liable) properly paid by the Portfolio Administrator in the performance of the Portfolio Management Services.

Termination of the appointment of the Portfolio Administrator

If any of the following events ("Portfolio Administrator Termination Events") shall occur:

- (A) default is made by the Portfolio Administrator in the payment, on the due date, of any payment due and payable by it under the Administration Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Portfolio Administrator becoming aware of such default and receipt by the Portfolio Administrator 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; or
- (B) default is made by the Portfolio Administrator in the performance or observance of any of its other covenants and obligations under the Administration Agreement which, in the sole opinion of the Note Trustee as notified to the Security Trustee, is materially prejudicial to the interests of the holders of the Most Senior Class of Notes and which, in the case of a default that is remediable, continues unremedied for a period of 30 days after the earlier of the Portfolio Administrator becoming aware of such default or receipt by the Portfolio Administrator of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee requiring the same to be remedied; or
- (C) an Insolvency Event occurs in respect of the Special Servicer; or
- (C) an Enforcement Notice is given and the Security Trustee is of the opinion that the continuation of the appointment of the Portfolio Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes; or
- (D) it becomes unlawful for the Portfolio Administrator to perform its obligations under the Administration Agreement or any other Transaction Document or the Portfolio Administrator no longer has the relevant regulatory approvals for it to perform the Portfolio Management Services in accordance with all applicable laws and regulations,

then the Issuer (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee (in any case, if of the opinion that the continuation of the appointment of the Portfolio Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes) may by notice in writing to the Portfolio Administrator terminate the appointment of the Portfolio Administrator under the Administration Agreement on the date specified in such. Following any such termination, it is expected that the Standby Portfolio Administrator will assume the functions of the Portfolio Administrator in accordance with the Standby Portfolio Administrator Agreement.

Resignation of the Portfolio Administrator

The Portfolio Administrator may resign from its appointment under the Administration Agreement only upon giving written notice on a date which is not less than 12 months prior to the proposed resignation date to the other parties to the agreement, provided that, *inter alia*:

- (a) (if the Rated Notes remain outstanding) the resignation has no adverse effect on the then current ratings of the Rated Notes unless the Security Trustee or the holders of the Rated Notes (acting by way of Extraordinary Resolution) agree otherwise; and
- (b) the Standby Portfolio Administrator has been appointed by the Issuer to perform the Portfolio Management Services prior to such resignation taking effect (or, if the Standby Portfolio Administrator is unable to perform the Portfolio Management Services upon the resignation of the Portfolio Administrator, a substitute portfolio administrator which satisfies certain conditions set out in Administration Agreement has been appointed).

Governing law

The Administration Agreement and any non-contractual obligations arising out of it will be governed by English law.

Standby Portfolio Administrator Agreement

The Issuer, the Security Trustee, BFL as legal title holder, the Portfolio Administrator, the Cash Administrator, the Special Servicer and the Standby Portfolio Administrator will enter into, on or around the Closing Date, an agreement pursuant to which the Standby Portfolio Administrator will agree to provide the Portfolio Management Services in certain circumstances (the "Standby Portfolio Administrator Agreement").

The Standby Portfolio Administrator will be obliged to perform the Portfolio Management Services in accordance with, and on the terms of, the Administration Agreement as amended by the terms of the Standby Portfolio Administrator Agreement upon receiving written notification from the Special Servicer of the termination of the Portfolio Administrator's appointment under the Administration Agreement.

The Standby Portfolio Administrator is entitled to receive a fee under the Standby Portfolio Administrator Agreement of £30,000 per annum (exclusive of VAT, if any) payable on the Closing Date and thereafter annually in advance on the Interest Payment Date falling closest to the anniversary of the Closing Date until the Standby Portfolio Administrator Agreement is terminated or, if earlier, the Standby Portfolio Administrator is appointed as the Portfolio Administrator. If the Standby Portfolio Administrator is required to perform the Portfolio Management Services pursuant to the Standby Portfolio Administrator Agreement at any time when the Portfolio Management Services are not delegated to it by the Portfolio Administrator under the HML Delegation Agreement a one-off invocation fee of £225,000 (exclusive of VAT) shall also be payable by the Issuer to the Standby Portfolio Administrator on the Interest Payment Date immediately succeeding the date of its invocation as Portfolio Administrator.

The Standby Portfolio Administrator's appointment under the Standby Portfolio Administrator Agreement may be terminated by the Issuer or, following the service of an Enforcement Notice, the Security Trustee on the happening of certain events including materially prejudicial non-performance of its obligations under the Standby Portfolio Administrator Agreement or if insolvency or similar events occur in relation to the Standby Portfolio Administrator or if, following the delivery of an Enforcement Notice in relation to the Notes, the Security Trustee is of the opinion that the continuation of the appointment of the Standby Portfolio Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes.

The Standby Portfolio Administrator may also resign upon giving not less than six months' written notice provided that, *inter alia*, a substitute standby portfolio administrator that satisfies the conditions set forth in the Standby Portfolio Administration Agreement shall be appointed prior to such resignation taking effect.

If a substitute standby portfolio administrator satisfying the conditions set forth in the Standby Portfolio Administration Agreement has not been appointed within 12 months of a notice of resignation being served by the Standby Portfolio Administrator, then the Issuer shall be obliged to appoint a substitute standby portfolio administrator introduced by the Standby Portfolio Administrator on the terms and subject to the conditions as informally agreed between the Standby Portfolio Administrator and the substitute standby portfolio administrator, provided such terms and conditions are materially similar to the terms and conditions of the Standby Portfolio Administrator Agreement and the substitute standby portfolio administrator satisfies the conditions set forth in the Standby Portfolio Administration Agreement.

The Standby Portfolio Administrator Agreement and any non-contractual obligations arising out of it will be governed by English law.

Special Servicing Agreement

The Issuer, the Security Trustee, BFL as legal title holder and the Special Servicer will enter into, on or around the Closing Date, an agreement pursuant to which the Special Servicer will agree to provide certain services in relation to the Mortgage Loans and their Related Security (the "Special Servicing Agreement").

Duties of the Special Servicer

The duties of the Special Servicer include, amongst other things:

- (a) varying any service specification relating to the settlement and administration of the Mortgage Loans and Related Security, on behalf of the Issuer;
- (b) varying the Lending Criteria;
- (c) varying the basis on which consents or approvals are given to Borrowers from time to time;
- (d) varying the enforcement procedures applicable to Mortgage Loans that are in arrears from time to time and instructing the Portfolio Administrator to undertake certain discretionary elements of those enforcement procedures as the Special Servicer deems appropriate;
- (e) directing the Portfolio Administrator to release one or more of joint Borrowers from any liability under a Mortgage Loan and all Related Security provided the Lending Criteria are still satisfied in respect of that Mortgage Loan and all Related Security following such release, and the Special Servicer may direct the Portfolio Administrator on the date of such release of any such joint Borrowers to permit a substitute Borrower or Borrowers to take the place and assume the obligations of the released Borrower or Borrowers provided that the Lending Criteria are still satisfied in respect of the Mortgage Loan and all Related Security following such release and substitution; and
- (f) determining whether any changes of interest rates applicable to Mortgage Loans should be made.

The Special Servicer shall exercise such discretion as is vested in it for the purpose of administering the Mortgage Pool as would be exercised by a Reasonable, Prudent Residential Mortgage Servicer.

Delegation

The Special Servicer is permitted to sub-contract or delegate its obligations under the Special Servicing Agreement subject to various conditions including, amongst others, that (i) none of the Rating Agencies, having been notified of the proposed arrangement, has indicated that the then

current rating of any of the Most Senior Class of Notes will be suspended, withdrawn, or downgraded, or otherwise adversely affected as a result of such arrangements; and (ii) the relevant sub-contractor or delegate will perform the special servicer functions on behalf of the Special Servicer so as to ensure that BFL (in its capacities as Portfolio Administrator and Special Servicer) complies with its obligations under the FSMA and MCOB.

Fees of the Special Servicer

The Special Servicer is entitled to charge the Special Servicing Fee for its services under the Special Servicing Agreement payable on each Interest Payment Date (subject to and in accordance with the relevant Priority of Payments) in arrears.

Termination of the appointment of the Special Servicer

If any of the following events ("Special Servicer Termination Events") shall occur:

- (A) default is made by the Special Servicer in the performance or observance of any of its covenants and obligations under the Special Servicing Agreement and/or the Administration Agreement which, in the sole opinion of the Note Trustee as notified to the Security Trustee, is materially prejudicial to the interests of the holders of the Most Senior Class of Notes and which, in the case of a default that is remediable, continues unremedied for a period of 15 days after the earlier of the Special Servicer becoming aware of such default and receipt by the Special Servicer of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee requiring the same to be remedied; or
- (B) an Insolvency Event occurs in respect of the Special Servicer; or
- (C) an Enforcement Notice has been served on the Issuer and the Security Trustee is of the opinion that the continuation of the appointment of the Special Servicer is materially prejudicial to the interests of the holders of the Most Senior Class of Notes; or
- (D) it becomes unlawful for the Special Servicer to perform its obligations under the Special Servicing Agreement or any other Transaction Document or the Special Servicer no longer has the relevant regulatory approvals for it to perform the Special Services in accordance with all applicable laws and regulations,

then the Issuer (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee (in any case, if of the opinion that the continuation of the appointment of the Special Servicer is materially prejudicial to the interests of the holders of the Most Senior Class of Notes) may by notice in writing to the Special Servicer terminate the appointment of the Special Servicer under the Special Servicing Agreement on the date (not earlier than the date of such notice) specified in such notice, but without prejudice to any then existing rights and liabilities of the parties thereto.

Resignation of the Special Servicer

The Special Servicer may also resign upon giving not less than 12 months' written notice provided that:

- (A) none of the Rating Agencies, having been notified of the proposed resignation of the Special Servicer, have indicated that the then current rating of the Rated Notes will be suspended, withdrawn or downgraded or otherwise adversely affected as a result of such proposed resignation; and
- (B) a substitute special servicer that satisfies the conditions set forth in the Special Servicing Agreement shall be appointed prior to such resignation taking effect.

Governing law

The Special Servicing Agreement and any non-contractual obligations arising out of it will be governed by English law.

HML Delegation Agreement

The Portfolio Administrator and HML will enter into, on or around the Closing Date, an agreement pursuant to which the Portfolio Administrator delegates to HML the performance of its Portfolio Management Services (the "HML Delegation Agreement").

The appointment of HML under the HML Delegation Agreement may be terminated by the Portfolio Administrator on the giving of 12 months' notice or on the happening of certain events including material non-performance of its obligations under the HML Delegation Agreement or if insolvency or similar events occur in relation to HML.

The HML Delegation 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, *among others*, 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 assigned, 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 and the Deed of Charge) and any sums derived therefrom;
- (B) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's interest in the Mortgage Loans and their Related Security and other related rights comprised in the Mortgage Portfolio and any sums derived therefrom;
- (C) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under Insurance Contracts assigned to the Issuer pursuant to the Mortgage Sale Agreement;
- (D) a charge by way of first fixed charge over the Issuer's interest in its bank accounts (including the Transaction Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;
- (E) a charge by way of first fixed charge over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer or the Cash Administrator on its behalf;
- (F) an assignment by way of first fixed security (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; 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.

"Authorised Investments" means:

- (A) Sterling gilt-edged securities;
- (B) Sterling demand or time deposits and certificates of deposit; and
- (C) short-term debt obligations (including commercial paper),

provided that in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and such investments: (i) mature before the next Interest Payment Date; (ii) may be broken or demanded by the Issuer (at no cost or other loss to the Issuer) on or before the next following Interest Payment Date so that, in each case, such funds will be available for withdrawal on such date; and (iii) have a maturity date falling within:

- (1) have a maturity date falling within 30 days or less of their date of issue and are rated (or, in the case of (A) and (B) above only, the short term and long term debt of the issuer (as applicable) of such investments is rated) at least A-1 by S&P and at least A or R-1 (middle) by DBRS; or
- (2) have a maturity date falling within 60 days or less of their date of issue and are rated (or, in the case of (A) and (B) above only, the short term and long term debt of the issuer (as applicable) of such investments is rated) at least A-1 by S&P and at least AA Low or R-1 (middle) by DBRS; or
- (3) have a maturity date falling within 90 days or less of their date of issue and are rated (or, in the case of (A) and (B) above only, the short term and long term debt of the issuer (as applicable) of such investments is rated) AA- or A-1+ by S&P and at least AA Low or R-1 (middle) by DBRS; or
- (4) have a maturity date falling within 180 days or less of their date of issue and are rated (or, in the case of (A) and (B) above only, the short term and long term debt of the issuer (as applicable) of such investments is rated) at least AA- or A-1+ by S&P and at least AA or R-1 (high) by DBRS; or
- (5) have a maturity date falling within 365 days or less of their date of issue and are rated (or, in the case of (A) and (B) above only, the short term and long term debt of the issuer (as applicable) of such investments is rated) at least AA- or A-1+ by S&P and AAA or R-1 (high) by DBRS.

"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, BFL, the Portfolio Administrator, the Special Servicer, the Standby Portfolio Administrator, the Cash Administrator, the Standby Cash Administrator, the Issuer Account Bank, the Corporate Services Provider, the Paying Agents, the Registrar, the Agent 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 Administration Agreement, the Special Servicing Agreement, the Standby Portfolio Administrator Agreement, the Agency Agreement, the Account Bank Agreement, the Collection Account Declaration of Trust, the Cash Administration Agreement, the Standby Cash Administrator Agreement, the Corporate Services Agreement, the Deed of Charge, a share trust deed dated 10 February 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"), a master definitions and construction schedule made between,

among others, the Issuer, the Seller and the Security Trustee (the "Master Definitions and Construction Schedule"), the Mortgage Sale Agreement, the power of attorney granted by BFL in favour of the Issuer and the Security Trustee on the Closing Date (the "BFL 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. 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 Interest Priority of Payments and Pre-Enforcement Principal 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, declaring the Notes to be immediately due and payable, the Cash Administrator (on behalf of the Issuer) shall apply monies standing to the credit of the Transaction Account as described in "*Cashflows – Application of Available Interest Receipts prior to the service of an Enforcement Notice on the Issuer*", "*Application of Available Principal Receipts prior to the service of an Enforcement Notice on the Issuer*" below and "*Application of Monies released from the Credit Reserve Fund*".

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, declaring the Notes to be immediately due and payable, the Security Trustee (or the Cash Administrator on its behalf) or any Receiver appointed by it shall apply the monies standing to the credit of the Transaction 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 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 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 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 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.

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, 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 Administration Agreement

On the Closing Date, the Cash Administrator, the Issuer, the Portfolio Administrator, the Special Servicer and the Security Trustee will enter into a cash administration agreement (the "Cash Administration Agreement").

Cash Management Services to be provided to the Issuer

Pursuant to the Cash Administration Agreement, the Cash Administrator will agree to provide certain cash management and other services to the Issuer or, upon the Security Trustee notifying the Cash Administrator that an Enforcement Notice has been served on the Issuer, the Security Trustee. The Cash Administrator's principal function will be effecting payments to and from the Transaction Account. In addition, the Cash Administrator will, among other things:

- (A) on each Interest Payment Date prior to the delivery of an Enforcement Notice, apply, or cause to be applied:
 - (i) Available Interest Receipts in accordance with the Pre-Enforcement Interest Priority of Payments;
 - (ii) Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments; and
 - (iii) any Credit Reserve Fund Liquidity Release Amount to meet any Remaining Interest Shortfall against the relevant items in the Pre-Enforcement Interest Priority of Payments in the order that they appear in the Pre-Enforcement Interest Priority of Payments;
- (B) on each Calculation Date determine if there would be an Interest Shortfall or a Credit Reserve Liquidity Shortfall following the application of Available Interest Receipts on the immediately following Interest Payment Date;
- (C) on each Calculation Date, determine whether the immediately following Interest Payment Date is the Final Rated Note Redemption Date;
- (D) on each Calculation Date, determine whether there would be a Remaining Interest Shortfall following application of Available Interest Receipts and any Senior Principal Reallocation Amounts on the immediately following Interest Payment Date;
- (E) record credits to, and debits from, the Ledgers, as and when required; and
- (F) if required (i) during the Determination Period, calculate the Interest Determination Ratio, the Calculated Interest Collections and the Calculated Principal Collections; and (ii) following any Determination Period, upon receipt by the Cash Administrator 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), Residual Certificates Condition 6.7 (*Termination of Payments*) and the Cash Administration Agreement.

In addition, the Cash Administrator will also:

- (A) maintain the following ledgers (the "Ledgers") on behalf of the Issuer:

- (i) the "Principal Ledger", which will record all Principal Collections received by the Issuer and the distribution of the Principal Collections in accordance with the Pre-Enforcement Redemption Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);
 - (ii) the "Interest Ledger", which will record all Interest Collections and the distribution of the Interest Collections and any other relevant amounts recorded on the Interest Ledger in accordance with the Pre-Enforcement Interest Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) or by way of Third Party Amounts;
 - (iii) the "Credit Reserve Fund Ledger", which will record amounts credited to, and debited from, the credit reserve fund (the "Credit Reserve Fund") (see "*Credit Structure – Credit Reserve Fund and Credit Reserve Fund Ledger*" below).
 - (iv) the "Principal Deficiency Ledger", which will record as a debit deficiencies arising from Losses on the Mortgage Portfolio (on the date the Cash Administrator is informed of such Losses by the Portfolio Administrator) and Principal Reallocation Amounts (on the Calculation Date on which such Principal Reallocation Amounts are determined by the Cash Administrator) and record as a credit Available Interest Receipts applied as Available Principal Receipts (including any amounts in respect of Additional Available Principal Funds) pursuant to the Pre-Enforcement Interest Priority of Payments (if any) on each Interest Payment Date (see "*Credit Structure – Principal Deficiency Ledger*" below); and
 - (vi) the "Issuer Profit Ledger", which shall record as a credit any amounts retained by the Issuer as profit in accordance with the Pre-Enforcement Interest Priority of Payments 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 Interest Receipts, and Available Principal Receipts to be applied on the immediately following Interest Payment Date in accordance with the Pre-Enforcement Interest Priority of Payments or the Pre-Enforcement Principal Priority of Payments (as applicable);
 - (C) calculate on each Calculation Date up to and including the Calculation Date immediately preceding the Final Rated Note Redemption Date (prior to the service of an Enforcement Notice) the amount of any Senior Principal Reallocation Amounts to be applied to meet any Interest Shortfall and any Credit Reserve Fund Liquidity Release Amount to be applied to meet any Remaining Interest Shortfall, in each case on the immediately following Interest Payment Date;
 - (D) calculate on each Calculation Date up to but excluding the Final Rated Note Redemption Date (prior to service of an Enforcement Notice), the amount of any Credit Reserve Reallocation Amount to be applied to meet any Credit Reserve Liquidity Shortfall on the immediately following Interest Payment Date; and
 - (E) provide the Issuer, the Portfolio Administrator, the Special Servicer, the Security Trustee, the Noteholders, the Certificateholders, the Rating Agencies, Bloomberg and (subject to the written consent of the Special Servicer) any prospective investors in the Notes with the Investor Report monthly.

At the direction of the Portfolio Administrator, the Cash Administrator, on behalf of and in the name of the Issuer, may invest monies standing from time to time to the credit of the Transaction Account in Authorised Investments as determined by the Portfolio Administrator, subject to the following provisions:

- (A) any investment in any Authorised Investments shall be made in the name of the Issuer;
- (B) any costs properly and reasonably incurred in making, changing or otherwise disposing of any investment in any Authorised Investments will be reimbursed to the Cash Administrator by the Issuer; and
- (C) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the Transaction Account.

The Cash Administrator shall not be responsible (save where any loss results from the Cash Administrator's own fraud, wilful default or gross negligence or that of its directors, officers or employees) for any loss occasioned by reason of any such investment in any Authorised Investments or any purported investment in any Authorised Investments whether by depreciation in value or otherwise, provided that any such investment in any Authorised Investments was made in accordance with the terms of the Cash Administration Agreement.

Cash Administrator and Directions from the Security Trustee

The Cash Administrator 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 Administrator that an Enforcement Notice has been served on the Issuer.

Remuneration of Cash Administrator

The Cash Administrator will be paid the Cash Management Fee for its cash management services under the Cash Administration Agreement. Any sum (or other consideration) payable (or provided) by the Issuer to the Cash Administrator 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 quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the provisions of the Pre-Enforcement Interest Priority of Payments or, as the case may be, the Post-Enforcement Priority of Payments.

Termination of Appointment and Replacement of Cash Administrator

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

- (A) default is made by the Cash Administrator in the payment, on the due date, of any payment due and payable by it under the Cash Administration Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Cash Administrator becoming aware of such default and receipt by the Cash Administrator 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; or
- (B) default is made by the Cash Administrator in the performance or observance of any of its other covenants and obligations under the Cash Administration Agreement which, in the sole opinion of the Note Trustee as notified to the Security Trustee, is materially prejudicial to the interests of the holders of the Most Senior Class of Notes and which, in the case of a default that is remediable, continues unremedied for a period of 15 days after the earlier of the Cash Administrator becoming aware of such default or receipt by the Cash Administrator of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee requiring the same to be remedied; or
- (C) an Insolvency Event occurs in respect of the Cash Administrator; or

- (D) an Enforcement Notice has been served on the Issuer and the Security Trustee is of the opinion that the continuation of the appointment of the Cash Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes; or
- (E) it becomes unlawful for the Cash Administrator to perform its obligations under the Cash Administration Agreement or under any other Transaction Document,

then the Issuer (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee (in any case, if of the opinion that the continuation of the appointment of the Cash Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes) may by notice in writing to the Cash Administrator terminate the appointment of the Cash Administrator under the Cash Administration Agreement on the date (not earlier than the date of such notice) specified in such notice. Upon termination of the appointment of the Cash Administrator, the Issuer shall appoint the Standby Cash Administrator to perform the cash management services under the Cash Administration Agreement pursuant to the Standby Cash Administrator Agreement (see "*Summary of the key Transaction Documents – Standby Cash Administrator Agreement*" below).

Resignation of the Cash Administrator

The Cash Administrator may resign from its appointment under the Cash Administration Agreement only upon giving written notice on a date which is not less than 12 months prior to the proposed resignation date to each of the Issuer, the Portfolio Administrator, the Special Servicer and the Security Trustee, provided that:

- (A) the Issuer has appointed the Standby Cash Administrator to perform the Cash Management Services prior to such resignation taking effect (or, if the Standby Cash Administrator is not able to perform such services at the time of such resignation, a substitute cash administrator that satisfies certain conditions set forth in the Cash Administration Agreement has been appointed); and
- (B) none of the Rating Agencies, having been notified of the proposed resignation of the Cash Administrator, have indicated that the then current rating of the Rated Notes will be suspended, withdrawn or downgraded or otherwise adversely affected as a result of such proposed termination.

Governing Law

The Cash Administration Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

The Standby Cash Administrator Agreement

Citibank, N.A., London Branch in its capacity as the standby Cash Administrator (the "Standby Cash Administrator") has agreed pursuant to an agreement to be entered into on the Closing Date with the Issuer, the Special Servicer, the Portfolio Administrator and the Security Trustee (the "Standby Cash Administrator Agreement") that it will agree to be a standby cash administrator to perform the services under the Cash Administration Agreement upon seven Business Days' written notice of the termination of the Cash Administrator's appointment.

The Standby Cash Administrator will be obliged to perform all duties and obligations as the Cash Administrator in accordance with, and on the terms of, the Cash Administration Agreement as amended by the terms of the Standby Cash Administrator Agreement upon receiving seven Business Days' written notification from the Special Servicer on behalf of the Issuer or (following the service of an Enforcement Notice) the Security Trustee of the termination of the Cash Administrator's appointment under the Cash Administration Agreement.

The Standby Cash Administrator is entitled to receive a fee as agreed with the Issuer payable on the Closing Date and thereafter annually in advance on the Interest Payment Date falling closest to the anniversary of the Closing Date until the Standby Cash Administrator Agreement is terminated or, if earlier, the Standby Cash Administrator is appointed as the Cash Administrator.

The Standby Cash Administrator's appointment under the Standby Cash Administrator Agreement may be terminated by the Issuer (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee (in any case, if of the opinion that the continuation of the appointment of the Standby Cash Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes) on the happening of certain events including materially prejudicial non-performance of its obligations under the Standby Cash Administrator Agreement, if insolvency or similar events occur in relation to the Standby Cash Administrator, if, following the delivery of an Enforcement Notice in relation to the Notes, the Security Trustee is of the opinion that the continuation of the appointment of the Standby Cash Administrator is materially prejudicial to the interests of the holders of the Most Senior Class of Notes or if it becomes unlawful for the Standby Cash Administrator to perform its obligations under the Standby Cash Administrator Agreement. The Issuer (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee may also terminate the appointment of the Standby Cash Administrator without reason with no less than 60 days' prior written notice.

The Standby Cash Administrator may also resign upon giving not less than 3 months' written notice provided that, *inter alia*:

- (A) none of the Rating Agencies, having been notified of the proposed resignation of the Standby Cash Administrator, have indicated that the then current rating of the Rated Notes will be suspended, withdrawn or downgraded or otherwise adversely affected as a result of such proposed termination; and
- (B) a substitute standby cash administrator that satisfies the conditions set forth in the Standby Cash Administrator Agreement shall be appointed prior to such resignation taking effect.

If the Standby Cash Administrator gives notice to resign and by the tenth day before expiry of the relevant notice period a substitute standby cash administrator has not been duly appointed, the Standby Cash Administrator may itself appoint as the substitute standby cash administrator any reputable and experienced financial institution that satisfies the conditions set forth in the Standby Cash Administrator Agreement, following such consultation with the Issuer as is practicable in the circumstances and with the prior written approval of the Security Trustee and the Issuer.

Governing Law

The Standby Cash Administrator Agreement and any non-contractual obligations arising out of it will be governed by English law.

The Account Bank Agreement

Pursuant to the terms of an account bank agreement entered into on or about the Closing Date between the Issuer, the Issuer Account Bank, the Cash Administrator and the Security Trustee (the "Account Bank Agreement"), the Issuer will open and maintain with the Issuer Account Bank a deposit account (the "Transaction Account") which will be operated in accordance with the Cash Administration Agreement and the Deed of Charge. The Issuer Account Bank is required to have the Account Bank Rating.

Governing Law

The Account Bank 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, BFL 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 or prior to the Closing Date, the Issuer, BFL, the Security Trustee and others will enter into a Collection Account declaration of trust (the "Collection Account Declaration of Trust") pursuant to which BFL will declare a trust (the "Collection Account Trust") in favour of all its rights, title, interest and benefit (both present and future) in the Collection Accounts, including all amounts standing to the credit of the Collection Accounts, absolutely for the Issuer in the manner specified in the Collection Account Declaration of Trust.

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 Interest Receipts**

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Mortgage Loans will, assuming that all of the Mortgage Loans are fully performing, be sufficient so that the Available Interest Receipts will be sufficient to pay the amounts payable under items (A) to (W) (inclusive) of the Pre-Enforcement Interest Priority of Payments. The actual amount of any excess payable to the Certificateholders under item (X) of the Pre-Enforcement Interest 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 Mortgage Loans in the Mortgage Portfolio relative to the interest rates on the Notes and the performance of the Mortgage Portfolio.

Available Interest Receipts will be applied (after making payments ranking higher in the Pre-Enforcement Interest Priority of Payments) on each Interest Payment Date in accordance with the Pre-Enforcement Interest Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Mortgage Portfolio and from the application of Available Principal Receipts as Principal Reallocation Amounts to cure any Interest Shortfall and any Credit Reserve Liquidity Shortfall.

To the extent that the amount of Available Interest Receipts on each Interest Payment Date exceeds the aggregate of the payments required to be met under items (A) to (P) (inclusive) of the Pre-Enforcement Interest Priority of Payments, such excess is available to replenish the Credit Reserve Fund up to an amount equal to the Credit Reserve Fund Target Amount.

To the extent that the amount of Available Interest Receipts on each Interest Payment Date following the Step-Up Date exceeds the aggregate of the payments required to be met under items (A) to (R) (inclusive) of the Pre-Enforcement Interest Priority of Payments, such excess is available as Additional Available Principal Funds to be applied as Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments.

"Losses" means the aggregate of (i) all realised losses on the Mortgage Loans which are not recovered from the proceeds following the sale of the Property to which such Mortgage Loan relates and (ii) any loss to the Issuer as the result of an exercise of any set-off by any Borrower in respect of its Mortgage Loan.

2. **Use of Available Principal Receipts to pay an Interest Shortfall or a Credit Reserve Liquidity Shortfall**

On each Calculation Date prior to the service of an Enforcement Notice, and with reference to the immediately following Interest Payment Date, the Cash Administrator will calculate whether, following application of the Available Interest Receipts pursuant to the Pre-Enforcement Interest Priority of Payments and the making of any consequential debit and/or credit entries to the Credit Reserve Fund Ledger on such Interest Payment Date, there will be:

- (A) any Interest Shortfall; or
- (B) any Credit Reserve Liquidity Shortfall.

If, on any Calculation Date (prior to the service of an Enforcement Notice), the Cash Administrator determines that on the immediately following Interest Payment Date there would be an Interest Shortfall, the Cash Administrator will apply on such Interest Payment Date an amount of Available Principal Receipts (to the extent available) equal to the Interest Shortfall ("Senior Principal Reallocation Amounts") in meeting such Interest Shortfall against the relevant items in the Pre-Enforcement Interest Priority of Payments in the order that they appear in the Pre-Enforcement Interest Priority of Payments.

"Interest Shortfall" means, on any Interest Payment Date, an amount equal to the aggregate of:

- (A) any shortfall in Available Interest Receipts to pay items (A) to (E) of the Pre-Enforcement Interest Priority of Payments on such Interest Payment Date;

- (B) either:

- (i) if:

- (x) the debit balance on the Principal Deficiency Ledger on such Interest Payment Date is less than or equal to the aggregate Principal Amount Outstanding of the Notes (other than the Class A Notes and the Subordinated Notes) or the Class B Notes comprise the Most Senior Class of Notes on such Interest Payment Date (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

- (z) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 43.4% of the aggregate Current Balance of the Mortgage Loans comprised in the Mortgage Portfolio on the Closing Date,

any shortfall in Available Interest Receipts to pay item (G) of the Pre-Enforcement Interest Priority of Payments on such Interest Payment Date;
or

- (ii) in any other circumstance, zero; and

- (C) either:

- (i) if:

- (x) the debit balance on the Principal Deficiency Ledger on such Interest Payment Date is less than or equal to the aggregate Principal Amount Outstanding of the Notes (other than the Class A Notes, the Class B Notes and the Subordinated Notes) or the Class C Notes comprise the Most Senior Class of Notes on such Interest Payment Date (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

- (z) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 34.6% of the

aggregate Current Balance of the Mortgage Loans comprised in the Mortgage Portfolio on the Closing Date,

any shortfall in Available Interest Receipts to pay item (I) of the Pre-Enforcement Interest Priority of Payments on such Interest Payment Date; or

(ii) in any other circumstance, zero; and

(D) either:

(i) if:

(x) the debit balance on the Principal Deficiency Ledger on such Interest Payment Date is less than or equal to the aggregate Principal Amount Outstanding of the Notes (other than the Class A Notes, the Class B Notes, the Class C Notes and the Subordinated Notes) or the Class D Notes comprise the Most Senior Class of Notes on such Interest Payment Date (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

(y) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 26.2% of the aggregate Current Balance of the Mortgage Loans comprised in the Mortgage Portfolio on the Closing Date,

any shortfall in Available Interest Receipts to pay item (K) of the Pre-Enforcement Interest Priority of Payments on such Interest Payment Date; or

(ii) in any other circumstance, zero; and

(E) either:

(i) if:

(x) the debit balance on the Principal Deficiency Ledger on such Interest Payment Date is less than or equal to the aggregate Principal Amount Outstanding of the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes or the Class E Notes comprise the Most Senior Class of Notes on such Interest Payment Date (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

(y) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 17.3% of the aggregate Current Balance of the Mortgage Loans comprised in the Mortgage Portfolio on the Closing Date,

any shortfall in Available Interest Receipts to pay item (M) of the Pre-Enforcement Interest Priority of Payments on such Interest Payment Date; or

(ii) in any other circumstance, zero,

(F) either:

(i) if:

(x) the debit balance on the Principal Deficiency Ledger on such Interest Payment Date is less than or equal to the aggregate Principal Amount Outstanding of the Class F Notes, the Class G Notes and the Class H Notes or the Class F Notes comprise the Most Senior Class of Notes on such Interest Payment Date (for the avoidance of doubt, prior to any Available Principal Receipts being applied pursuant to the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date); and

(y) the aggregate Initial Current Balance of all Defaulting Loans on such Interest Payment Date is equal to or less than 14.5% of the aggregate Current Balance of the Mortgage Loans comprised in the Mortgage Portfolio on the Closing Date,

any shortfall in Available Interest Receipts to pay item (O) of the Pre-Enforcement Interest Priority of Payments on such Interest Payment Date; or

(ii) in any other circumstance, zero,

as determined by the Cash Administrator on the immediately preceding Calculation Date.

"Initial Current Balance" means, in respect of any Mortgage Loan, the Current Balance of such Mortgage Loan as at the Closing Date.

"Defaulting Loan" means a Mortgage Loan in respect of which the Related Security (i) is being enforced or (ii) has been enforced and the related Property has been sold.

For the avoidance of doubt, in the event there is a shortfall in Available Interest Receipts to pay items (G), (I), (K), (M) or (O) in the Pre-Enforcement Interest Priority of Payments on any applicable Interest Payment Date, but the amount specified as comprising part of the Interest Shortfall in items (B), (C), (D), (E) or (F), respectively of the definition of "Interest Shortfall" is zero, the shortfall for the purposes of such item shall be deemed to be zero for the purposes of the calculation of any Senior Principal Reallocation Amount and such items will not be relevant items for the purposes of the application of the Senior Principal Reallocation Amount.

If, on any Calculation Date up to but excluding the Calculation Date immediately preceding the Final Rated Note Redemption Date (prior to the service of an Enforcement Notice), the Cash Administrator determines that on the immediately following Interest Payment Date there would be a Credit Reserve Liquidity Shortfall, the Cash Administrator will apply on such Interest Payment Date an amount of Available Principal Receipts (to the extent available) equal to the Credit Reserve Liquidity Shortfall ("Credit Reserve Reallocation Amounts") and, together with Senior Principal Reallocation Amounts, "Principal Reallocation Amounts") in meeting such Credit Reserve Liquidity Shortfall by crediting such Credit Reserve Reallocation Amount to the Credit Reserve Fund Ledger and the Credit Reserve Fund Liquidity Sub-Ledger.

"Credit Reserve Liquidity Shortfall" means, on any Interest Payment Date, any shortfall in Available Interest Receipts available to replenish the Credit Reserve Fund Liquidity Sub-Ledger up to the Credit Reserve Fund Target Liquidity Amount pursuant to item (Q) of the Pre-Enforcement Interest Priority of Payments.

"Final Rated Note Redemption Date" means the Interest Payment Date in respect of which the Cash Administrator determines on the immediately preceding Calculation Date that, following application on such Interest Payment Date of (i) Available Interest Receipts in accordance with the Pre-Enforcement Interest Priority of Payments, (ii) any Senior Principal Reallocation Amounts in meeting any Interest Shortfall and (iii) any Credit Reserve Fund Liquidity Release Amount in meeting any Remaining Interest Shortfall, the sum of the Available Principal Receipts (other than item (D) of the definition thereof) and all amounts standing to the credit of the Credit Reserve Fund Ledger 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 Condition 8.3 (*Optional Redemption of the Notes in Full*) or Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*).

Any Available Principal Receipts applied as Principal Reallocation Amounts will be recorded as a debit on the Principal Deficiency Ledger (as further described below).

3. **Credit Reserve Fund and Credit Reserve Fund Ledger**

On the Closing Date, the Issuer will establish a fund which will be credited with the Initial Credit Reserve Fund Amount from the proceeds of the Subordinated Noteholders' subscription for the Subordinated Notes on the Closing Date (the "Credit Reserve Fund") to provide liquidity support (and ultimately, credit enhancement) for the Rated Notes. The Credit Reserve Fund will be deposited in the Transaction Account (with a corresponding credit being made to the Credit Reserve Fund Ledger). The Issuer may invest the amounts standing to the credit of the Credit Reserve Fund from time to time in Authorised Investments.

The Cash Administrator will maintain the Credit Reserve Fund Ledger pursuant to the Cash Administration Agreement to record the balance from time to time of the Credit Reserve Fund. The Cash Administrator will maintain two sub-ledgers on the Credit Reserve Fund Ledger, being the "Credit Reserve Fund Liquidity Sub-Ledger" and the "Credit Reserve Fund Available Amounts Sub-Ledger".

After the Closing Date, on each Interest Payment Date up to and including the Final Rated Note Redemption Date, the Credit Reserve Fund will be replenished up to the Credit Reserve Fund Target Amount from Available Interest Receipts (to the extent available) in accordance with the provisions of the Pre-Enforcement Interest Priority of Payments and, on each Interest Payment Date up to but excluding the Final Rated Note Redemption Date, to the extent that there is a Credit Reserve Liquidity Shortfall from Credit Reserve Reallocation Amounts.

Following the determination by the Cash Administrator on each Calculation Date of the Credit Reserve Fund Target Liquidity Amount in respect of the immediately following Interest Payment Date, the Cash Administrator shall (i) record all amounts standing to the credit of the Credit Reserve Fund up to (and including) such Credit Reserve Fund Target Liquidity Amount to the Credit Reserve Fund Liquidity Sub-Ledger and all amounts standing to the credit of the Credit Reserve Fund in excess of such Credit Reserve Fund Target Liquidity Amount to the Credit Reserve Fund Available Amounts Sub-Ledger and (ii) following such adjustments to the Credit Reserve Fund sub-ledgers, determine the Credit Reserve Fund Available Amount.

On each Interest Payment Date up to and including the Final Rated Note Redemption Date, the Cash Administrator will apply as Available Interest Receipts the Credit Reserve Fund Available Amount (as determined on the immediately preceding Calculation Date).

On any Calculation Date (prior to the service of an Enforcement Notice), if the Cash Administrator determines that on the immediately following Interest Payment Date, there

would be a Remaining Interest Shortfall, the Cash Administrator will apply on such Interest Payment Date an amount from the Credit Reserve Fund equal to the lesser of:

- (A) the amount standing to the credit of the Credit Reserve Fund Liquidity Sub-Ledger on such Interest Payment Date (for the avoidance of doubt, prior to any amounts being debited from the Credit Reserve Fund Liquidity Sub-Ledger on such Interest Payment Date); and
- (B) the amount of such Remaining Interest Shortfall,

(such amount being the "Credit Reserve Fund Liquidity Release Amount"), in meeting such Remaining Interest Shortfall against the relevant items in the Pre-Enforcement Interest Priority of Payments in the order that they appear in the Pre-Enforcement Interest Priority of Payments (any such amount to be debited from the Credit Reserve Fund Liquidity Sub-Ledger immediately prior to the application of Available Interest Receipts pursuant to the Pre-Enforcement Priority of Payments on such Interest Payment Date).

"Remaining Interest Shortfall" means, on any Interest Payment Date, any Interest Shortfall that would remain following the allocation of Available Interest Receipts and any Senior Principal Reallocation Amounts on such Interest Payment Date as determined by the Cash Administrator on the immediately preceding Calculation Date.

"Credit Reserve Fund Available Amount" means, on any Interest Payment Date an amount equal to the greater of:

- (A) zero; and
- (B) the amount standing to the credit of the Credit Reserve Fund Ledger on such Interest Payment Date (for the avoidance of doubt, prior to any amounts being debited from or credited to the Credit Reserve Fund Liquidity Sub-Ledger on such Interest Payment Date), less the Credit Reserve Fund Target Liquidity Amount on such Interest Payment Date.

"Credit Reserve Fund Target Amount" means, on any Interest Payment Date up to and including the Final Rated Note Redemption Date, an amount equal to 2.25% of the aggregate Principal Amount Outstanding of the Rated Notes as at the Closing Date and on each Interest Payment Date following the Final Rated Note Redemption Date, zero.

On the Final Rated Note Redemption Date only, all amounts standing to the credit of the Credit Reserve Fund after first having applied the Credit Reserve Fund Available Amount as Available Interest Receipts in accordance with the Pre-Enforcement Interest Priority of Payments and any Credit Reserve Fund Liquidity Release Amount in meeting any Remaining Interest Shortfall against the relevant items in the Pre-Enforcement Interest Priority of Payments in the order they appear in the Pre-Enforcement Interest Priority of Payments, and after amounts have been credited to the Credit Reserve Fund in accordance with the Pre-Enforcement Interest Priority of Payments on the Final Rated Note Redemption Date) will be applied as Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments.

"Credit Reserve Fund Target Liquidity Amount" means:

- (A) on any Interest Payment Date up to and including the Final Rated Note Redemption Date, an amount equal to 0.7% of the aggregate Principal Amount Outstanding of the Rated Notes on such Interest Payment Date prior to application of the Available Interest Receipts and the Available Principal Receipts in accordance with the applicable Priority of Payments on such Interest Payment Date; and

(B) on each Interest Payment Date following the Final Rated Note Redemption Date, zero.

"Initial Credit Reserve Fund Amount" means an amount equal to 1.5% of the aggregate Principal Amount Outstanding of the Rated Notes as at the Closing Date.

4. **Principal Deficiency Ledger**

The Portfolio Administrator, will maintain a "Principal Deficiency Ledger" to which will be debited amounts representing any Losses affecting the Mortgage Loans in the Mortgage Portfolio and amounts equal to any Principal Reallocation Amounts. The Cash Administrator will record as a credit to the Principal Deficiency Ledger (i) Available Interest Receipts applied pursuant to items (F), (H), (J), (L), (N) and (P) of the Pre-Enforcement Interest Priority of Payments (if any) and (ii) following the Step-Up Date, Additional Available Principal Funds applied in accordance with item (S) of the Pre-Enforcement Interest Priority of Payments (which amounts shall, in each case, thereupon become Available Principal Receipts).

Any amount credited to the Principal Deficiency Ledger in respect of Additional Available Principal Funds will be reduced to the extent of any future Losses arising in respect of the Mortgage Portfolio and any further Principal Reallocation Amounts.

5. **Available Interest Receipts and Available Principal Receipts**

Available Interest Receipts and Available Principal Receipts shall be applied on each Interest Payment Date in accordance with the Pre-Enforcement Interest Priority of Payments and the Pre-Enforcement Principal 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 and amounts standing to the credit of the Credit Reserve Fund Liquidity Sub-Ledger (other than any amounts representing the Credit Reserve Fund Liquidity Release Amounts), it is not intended that any surplus will be accumulated in the Issuer.

If, on any Interest Payment Date, the Issuer has insufficient Available Interest Receipts, Senior Principal Reallocation Amounts and Credit Reserve Fund Liquidity Release Amounts 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.

CASHFLOWS

Definition of Interest Collections

"Interest Collections" means (a) payments of interest and other fees due from time to time under the Mortgage Loans and other amounts received by the Issuer in respect of the Mortgage Loans and their Related Security other than payments of interest, fees and other amounts comprising Optional Repurchase Collections and Principal Collections, (b) recoveries of interest from defaulting Borrowers under Mortgage Loans being enforced, (c) recoveries of all amounts from defaulting Borrowers under Mortgage Loans following enforcement and sale of the relevant property, (d) the proceeds of repurchase attributable to Accrued Interest and Arrears of Interest only of any Mortgage Loan repurchased by the Seller or BFL from the Issuer pursuant to the Mortgage Sale Agreement, and (e) such part of any Optional Repurchase Price as is required to pay in full all amounts payable under items (A) to (V) (inclusive), where the relevant Interest Payment Date falls on or prior to the Step-Up Date, or under items (A) to (R) (inclusive), where the relevant Interest Payment Date falls after the Step-Up Date, of the Pre-Enforcement Interest Priority of Payments after taking into account any part of the Optional Repurchase Price provided for in (d) above and any other Available Interest Receipts otherwise available to the Issuer.

Definition of Available Interest Receipts

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

- (A) Interest Collections or, if in a Determination Period, Calculated Interest Collections, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date, received (i) during the immediately preceding Collection Period (after deducting, in the case of the first Collection Period only, an amount equal to any Retained Accrued Interest); or (ii) if representing amounts received in respect of any repurchases of Mortgage Loans and their Related Security by the Seller and/or BFL pursuant to the Mortgage Sale Agreement, from but excluding the Monthly Pool 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 (A) the immediately preceding Monthly Pool Date or (B) in respect of a repurchase by the Seller to effect a redemption in full of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*), the immediately preceding Calculation Date;
- (B) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period and income from any Authorised Investments to be received on or prior to the Interest Payment Date;
- (C) the Credit Reserve Fund Available Amount;
- (D) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Interest Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*);
- (E) amounts credited to the Transaction Account on the previous Interest Payment Date in accordance with item (W) of the Pre-Enforcement Interest Priority of Payments; and
- (F) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Collections and without double-counting the amounts described in paragraphs (A) to (E) above;

less:

- (G) 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 charged by the Portfolio Administrator in respect of its servicing of the Mortgage Loans, other than any Portfolio Administration Fee and not otherwise covered by the items below;
 - (ii) certain costs and expenses charged by the Special Servicer in respect of its servicing of the Mortgage Loans, other than any Special Servicing Fee and not otherwise covered by the items below;
 - (iii) payments of certain insurance premiums in respect of the Mortgage Impairment Contingency Policy (to the extent referable to the Mortgage Loans);
 - (iv) 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
 - (v) 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 (G) being collectively referred to herein as "Third Party Amounts");
- (H) 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
- (I) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to a Collection Account or to pay any amounts due to the Collection Account Bank.

"Issuer Accounts" means the Transaction Account and any additional or replacement accounts (which have been charged to the Security Trustee on terms acceptable to the Security Trustee) opened in the name of the Issuer and maintained with the Issuer Account Bank or any other bank from time to time.

"Monthly Pool Date" means the first day of a calendar month.

Application of Available Interest 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 by the Note Trustee on the Issuer, the Cash Administrator, on behalf of the Issuer, shall apply or provide for the application of the Available Interest Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "Pre-Enforcement Interest 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 Portfolio Administrator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Administration Agreement (other than, in each case, the Subordinated Portfolio Administration Fee), together with VAT (if payable) thereon as provided therein;
 - (iii) any amounts then due and payable to the Standby Portfolio Administrator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Standby Portfolio Administrator Agreement, together with VAT (if payable) thereon as provided therein;
 - (iv) any amounts then due and payable to the Special Servicer and any fees, costs, charges, liabilities and expenses then due under the provisions of the Special Servicing Agreement, together with VAT (if payable) thereon as provided therein;
 - (v) any amounts then due and payable to the Cash Administrator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Administration Agreement, together with VAT (if payable) thereon as provided therein;
 - (vi) any amounts then due and payable to the Standby Cash Administrator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Standby Cash Administrator Agreement, together with VAT (if payable) thereon as provided therein;
 - (vii) any amounts (including, without limitation, any remuneration) 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; and
 - (viii) 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 Account Bank Agreement, together with (if applicable) VAT thereon as provided therein;
- (C) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (D) below); and
- (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*, if, on the relevant Interest Payment Date, any Class A Note remains outstanding and the amount of any remaining debit balance on the Principal Deficiency Ledger (expressed as a positive sum) exceeds the aggregate Principal Amount Outstanding of all Classes of Notes (other than the Class A Notes and the Subordinated Notes), then an amount up to that excess shall be applied in making a provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger;
- (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*, if, on the relevant Interest Payment Date, any Class B Note remains outstanding and the amount of any remaining debit balance on the Principal Deficiency Ledger (expressed as a positive sum) exceeds the aggregate Principal Amount Outstanding of the Notes (other than the Class A Notes, Class B Notes and the Subordinated Notes), then an amount up to that excess shall be applied in making a provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger;
- (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*, if, on the relevant Interest Payment Date, any Class C Note remains outstanding and the amount of any remaining debit balance on the Principal Deficiency Ledger (expressed as a positive sum) exceeds the aggregate Principal Amount Outstanding of the Notes (other than the Class A Notes, the Class B Notes, Class C Notes and the Subordinated Notes), then an amount up to that excess shall be applied in making a provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger;
- (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*, if, on the relevant Interest Payment Date, any Class D Note remains outstanding and the amount of any remaining debit balance on the Principal Deficiency Ledger (expressed as a positive sum) exceeds the aggregate Principal Amount Outstanding of the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes, then an amount up to that excess shall be applied in making a provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger;
- (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*, if, on the relevant Interest Payment Date, any Class E Note remains outstanding and the amount of any remaining debit balance on the Principal Deficiency Ledger (expressed as a positive sum) exceeds the aggregate Principal Amount Outstanding of the Class F Notes, the Class G Notes and the Class H Notes, then an amount up to that excess shall be applied in making a provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger;
- (O) *fifteenth*, 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 F Notes;
- (P) *sixteenth*, if, on any Interest Payment Date any Class F Note remains outstanding and the amount of any remaining debit balance on the Principal Deficiency Ledger (expressed as a positive sum) exceeds the aggregate Principal Amount Outstanding of the Class G

Notes and the Class H Notes, then an amount up to that excess shall be applied in making a provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger;

- (Q) *seventeenth*, to credit the Credit Reserve Fund Ledger up to the Credit Reserve Fund Target Amount;
- (R) *eighteenth*, in or towards satisfaction of any Subordinated Portfolio Administration Fee then due and payable to the Portfolio Administrator under the Administration Agreement, together with VAT (if payable) thereon as provided therein;
- (S) *nineteenth*, on any Interest Payment Date occurring after the Step-Up Date, to apply all amounts as Available Principal Receipts (any such amounts, "Additional Available Principal Funds");
- (T) *twentieth*, 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 G Notes;
- (U) *twenty-first*, 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 H Notes;
- (V) *twenty-second*, 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;
- (W) *twenty-third*, on any Interest Payment Date falling within a Determination Period, all remaining amounts to be credited to the Transaction Account to be applied on the next Interest Payment Date as Available Interest Receipts; and
- (X) *twenty-fourth*, any excess amounts *pro rata* and *pari passu* to the holders of the Residual Certificates.

As used in this Prospectus:

"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.

"Early Repayment Charge" means any charge (other than a Redemption Fee) which a Borrower is required to pay in the event that he or she repays all or any part of the relevant Mortgage Loan before a specified date in the Mortgage Conditions.

"Interest Period" means the period 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.

"Redemption Fee" means the standard redemption fee charged to the Borrower by the Portfolio Administrator where the Borrower makes a repayment of the full outstanding principal balance of a Mortgage Loan on the maturity date of such Mortgage Loan.

Definition of Principal Collections

"Principal Collections" means (a) principal repayments under the Mortgage Loans (including payments of arrears of principal and Capitalised Amounts) other than any principal repayments comprising Optional Repurchase Collections, (b) recoveries of principal from defaulting Borrowers under Mortgage Loans being enforced, (c) recoveries of principal from defaulting Borrowers under Mortgage 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 Mortgage Loan in the Mortgage Portfolio, to the extent such payment is deemed to be principal, (e) the proceeds of the repurchase of any Mortgage Loan by the Seller and/or BFL 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 for the purposes of this item (e) only, any amounts comprising part of any Optional Repurchase Price), (f) such part of any Optional Repurchase Price as does not comprise Interest Collections pursuant to sub-paragraph (d) and (e) of the definition thereof and (g) any other payment received by the Issuer in the nature of principal.

"Capitalised Amounts" means, in relation to a Mortgage Loan, as at any date, amounts which are due or overdue in respect of that Mortgage 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 Capitalisation Policy.

Definition of Available Principal Receipts

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

- (A) all Principal Collections or, if in a Determination Period, any Calculated Principal Collections, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Interest 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 Mortgage Loans and their Related Security that were repurchased by the Seller and/or BFL pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Monthly Pool 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 (A) the immediately preceding Monthly Pool Date or (B) in respect of a repurchase by the Seller to effect a redemption in full of the Notes pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*), the immediately preceding Calculation Date;
- (B) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Interest Priority of Payments, to be the amount by which the debit balance of the Principal Deficiency Ledger is to be reduced on that Interest Payment Date;
- (C) any amounts deemed to be Available Principal Receipts in accordance with item (S) of the Pre-Enforcement Interest Priority of Payments;
- (D) on the Final Rated Note Redemption Date only, all amounts standing to the credit of the Credit Reserve Fund Ledger, after first having applied the Credit Reserve Fund Available Amount as Available Interest Receipts pursuant to the Pre-Enforcement Interest Priority of Payments and any Credit Reserve Fund Liquidity Release Amount to meet any Interest Shortfall on such Interest Payment Date and after amounts have been credited to the Credit Reserve Fund in accordance with the Pre-Enforcement Interest Priority of Payments; and
- (E) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 6.9(C) (*Determinations and Reconciliation*).

Application of Available Principal Receipts prior to the service of an Enforcement Notice on the Issuer

Prior to the service of an Enforcement Notice on the Issuer, the Cash Administrator on behalf of the Issuer is required pursuant to the terms of the Cash Administration Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the "Pre-Enforcement Principal 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*, to meet any Interest Shortfall existing on such Interest Payment Date;
- (B) *second*, on any Interest Payment Date occurring prior to the Final Rated Note Redemption Date, to meet any Credit Reserve Liquidity Shortfall existing on such Interest Payment Date;
- (C) *third*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding of the Class A Notes has been reduced to zero;
- (D) *fourth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding of the Class B Notes has been reduced to zero;
- (E) *fifth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding of the Class C Notes has been reduced to zero;
- (F) *sixth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class D Notes until the Principal Amount Outstanding of the Class D Notes has been reduced to zero;
- (G) *seventh*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class E Notes until the Principal Amount Outstanding of the Class E Notes has been reduced to zero;
- (H) *eighth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class F Notes until the Principal Amount Outstanding of the Class F Notes has been reduced to zero;
- (I) *ninth*, on any Interest Payment Date falling after the Step-Up Date, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, the interest due and payable of the Class G Notes;
- (J) *tenth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class G Notes until the Principal Amount Outstanding of the Class G Notes has been reduced to zero;
- (K) *eleventh*, on any Interest Payment Date falling after the Step-Up Date, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, the interest due and payable of the Class H Notes;
- (L) *twelfth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class H Notes until the Principal Amount Outstanding of the Class H Notes has been reduced to zero; and

- (M) *thirteenth*, on any Interest Payment Date falling after the Step-Up Date, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, the interest due and payable of the Subordinated Notes;
- (N) *fourteenth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Subordinated Notes until the Principal Amount Outstanding of the Subordinated Notes has been reduced to zero; and
- (O) *fifteenth*, any excess amounts *pro rata* and *pari passu* to the holders of 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 Administrator 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 Interest Priority of Payments and the Pre-Enforcement Principal 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 Portfolio Administrator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Administration Agreement, (other than the Subordinated Portfolio Administration Fee) together with VAT (if payable) thereon as provided therein;
 - (iii) any amounts then due and payable to the Special Servicer and any fees, costs, charges, liabilities and expenses then due under the provisions of the Special Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Standby Portfolio Administrator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Standby Portfolio Administrator Agreement, together with VAT (if payable) thereon as provided therein

- (v) any amounts then due and payable to the Cash Administrator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Cash Administration Agreement, together with VAT (if payable) thereon as provided therein;
 - (vi) any amounts then due and payable to the Standby Cash Administrator and any fees, costs, charges, liabilities and expenses then due under the provisions of the Standby Cash Administrator Agreement, together with VAT (if payable) thereon as provided therein;
 - (vii) 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; and
 - (viii) 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 Account Bank Agreement, together with (if payable) VAT thereon as provided therein;
- (C) *third*, to pay, *pro rata* and *pari passu*, interest and principal due and payable on the Class A Notes until the Principal Amount Outstanding of 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 of 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 of 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 of the Class D Notes has been reduced to zero;
 - (G) *seventh*, to pay, *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 of the Class E Notes has been reduced to zero;
 - (H) *eighth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class F Notes until the Principal Amount Outstanding of the Class F Notes has been reduced to zero;
 - (I) *ninth*, to pay any Subordinated Portfolio Administration Fee then due and payable to the Portfolio Administrator under the provisions of the Administration Agreement together with (if payable) VAT thereon as provided therein;
 - (J) *tenth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class G Notes until the Principal Amount Outstanding of the Class G Notes has been reduced to zero;
 - (K) *eleventh*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class H Notes until the Principal Amount Outstanding of the Class H Notes has been reduced to zero

- (L) *twelfth*, 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 of the Subordinated Notes has been reduced to zero
- (M) *thirteenth*, to pay, *pro rata* and *pari passu*, amounts due and payable to third parties (if any); and
- (N) *fourteenth*, 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.

In a press release dated 22 October 2008 entitled "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it had assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in co-operation with market participants and that notes to be held under the new structure (the "New Safekeeping Structure" or "NSS") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the Euro (the "Eurosystem"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

The Global Notes will be deposited on or about the Closing Date with a common depository for both Euroclear and Clearstream, Luxembourg (the "Common Depository") and, in the case of Notes to be held under the NSS, will be deposited with the common safekeeper for Euroclear and Clearstream, Luxembourg (the "Common Safekeeper"). It is intended that the Class A Notes which are to be held under the NSS will be held in a manner to enable Eurosystem eligibility, however, it cannot be confirmed that the Class A Notes to be held under NSS will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

The Global Notes (other than in respect of the Class A Notes, which will be held under the NSS) will be registered in the name of a nominee for the Common Depository for both Euroclear and Clearstream, Luxembourg and the Global Note in respect of the Class A Note will be deposited with the Common Safekeeper and registered in the name of a nominee of the Common Safekeeper. The Registrar will maintain a register in which it will register the nominee for the Common Depository as the owner of the Global Notes (other than in respect of the Class A Notes) and the Common Safekeeper as the owner of the Global Note in respect of the Class A Notes.

Upon confirmation by the Common Depository or the Common Safekeeper (as applicable) that it has custody of the relevant Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-entry form interests representing beneficial interests in the Global Notes 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 (in each case, an "Authorised Denomination"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("Participants") or persons that hold interests in the Book-Entry Interests through Participants 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 Joint Lead Managers. 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 Depository or, in the case of Notes held under the NSS, the Common Safekeeper is the registered holder of each Global Note underlying the Book-Entry Interests, the nominee for the Common Depository or the Common Safekeeper (in the case of Notes held under the NSS), will be considered the sole Noteholder of such 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 or Indirect 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 Depository or, in the case of Notes held under the NSS, the Common Safekeeper may not be transferred except as a whole by the Common Depository or, in the case of Notes held under the NSS, the Common Safekeeper to a successor of the Common Depository or, in the case of Notes held under the NSS, the Common Safekeeper.

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 Joint

Lead Managers, 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 Depository or its nominee or, in the case of Notes held under the NSS, the Common Safekeeper 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 Depository or their nominees or, in the case of Notes held under the NSS, the Common Safekeeper 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 Depository or, in the case of Notes held under the NSS, the Common Safekeeper, 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 Joint Lead Managers, 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 Depositary or, in the case of Notes held under the NSS, the Common Safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. 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 an Interest 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 denominations of £100,000 and higher integral multiples of £1,000 (provided that no Registered Definitive Notes will be issued with a denomination of above £199,000). 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 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 Residual Certificates 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 Residual Certificate will hold Residual Certificate Book-Entry Interests in the Residual Certificates relating thereto. Investors may hold their Residual Certificate Book-Entry Interests in respect of a 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 each 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 Joint Lead Managers, 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 or pursuant to Residual Certificates Condition 8.2. 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 Depositary, 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 Residual Certificates. The Record Date in respect of the Residual Certificates 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 Joint Lead Managers, 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 depositary 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 Residual Certificates or any notice of solicitation of consents or requests for a waiver or other action by the Certificateholder of the Residual Certificates, 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 Residual Certificates 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 Residual Certificates 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 15 (*Notice to Certificateholders*)). The Note Trustee may in accordance with the Residual Certificates Condition 15.2 (*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 £161,905,000 Class A mortgage backed floating rate notes due March 2045 (the "Class A Notes"), the £29,275,000 Class B mortgage backed floating rate notes due March 2045 (the "Class B Notes"), the £23,929,000 Class C mortgage backed floating rate notes due March 2045 (the "Class C Notes"), the £10,692,000 Class D mortgage backed floating rate notes due March 2045 (the "Class D Notes"), the £9,164,000 Class E mortgage backed floating rate notes due March 2045 (the "Class E Notes"), the £3,819,000 Class F mortgage backed floating rate notes due March 2045 (the "Class F Notes" and together with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, the "Rated Notes"), the £6,364,000 Class G mortgage backed floating rate notes due March 2045 (the "Class G Notes"), the £9,419,000 Class H mortgage backed floating rate notes due March 2045 (the "Class H Notes") and the £3,590,000 subordinated floating rate notes due March 2045 (the "Subordinated Notes" and, together with the Rated Notes, the Class G Notes and the Class H Notes, the "Notes"), in each case of Celeste Mortgage Funding 2015-1 plc (the "Issuer") are constituted by a trust deed (the "Trust Deed") dated 27 March 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 F Notes, the Class G Notes, the Class H 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 the Closing Date and made between the Issuer, the Note Trustee, Citibank, N.A., London Branch as principal paying agent (in such capacity, the "Principal Paying Agent" and, together with any further or other paying agent appointed under the Agency Agreement, the "Paying Agents"), Citigroup Global Markets Deutschland AG 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, save for a Global Note to be held under the New Safekeeping Structure ("NSS"), is expected to be deposited with, and registered in the name of, or a nominee of a common depositary (the "Common Depositary") for Euroclear or Clearstream, Luxembourg on the Closing Date. Global Notes to be held under NSS will be deposited with and registered in the name of a nominee of the Common Safekeeper 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 amounts not less than an Authorised Denomination, 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:

- (1) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
- (2) 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 *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A 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 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 *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes and the Class B 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 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 *pari passu* without preference or priority among themselves in relation to payment of interest and principal 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. 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 *pari passu* without preference or priority among themselves in relation to payment of interest and principal 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. 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, Class B Notes, Class C Notes and/or any Class D Notes remain outstanding).

- (F) The Class F 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 F Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class F Notes (the "Class F Noteholders") will be subordinated to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders (so long as the relevant Class of Notes remains outstanding).
- (G) The Class G 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 G Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to 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 G Notes (the "Class G Noteholders") will be subordinated to the interests of the holders of the Rated Notes (so long as any Rated Notes remain outstanding).
- (H) The Class H 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 H Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Rated Notes and the Class G 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 H Notes (the "Class H Noteholders") will be subordinated to the interests of the holders of the Rated Notes and the Class G Notes (so long as any Rated Notes and/or any Class G Notes remain outstanding).
- (I) The Subordinated 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 Subordinated Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, but subordinate to the Rated Notes, the Class G Notes and the Class H 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 Subordinated Notes (the "Subordinated Noteholders") will be subordinated to the interests of the holders of the Rated Notes, the Class G Notes and the Class H Notes (so long as any Rated Notes and/or any Class G Notes and/or any Class H Notes remain outstanding).
- (J) 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 Principal Priority of Payments.

- (K) 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 or 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; 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. Interest

6.1 Accrual of interest

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.

6.2 Interest Payment Dates

Interest will be payable in arrear on each Interest Payment Date, for all classes of Notes. The first Interest Payment Date will be the Interest Payment Date falling in June 2015.

"Interest Payment Date" means the 15th day of each of March, June, September and December in each year or, if such day is not a Business Day, the immediately following Business Day.

Interest shall accrue 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 (each such period, an "Interest Period").

6.3 Rate of Interest

Rate of Interest

- (A) The rate of interest payable from time to time in respect of each class of the Notes will be in respect of the Notes and any Interest Period, the Rate of Interest. There will be no maximum Rate of Interest.
- (B) In these Conditions (except where otherwise defined), the expression:
- (1) "Authorised Denomination" means £100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £1,000.
 - (2) "Business Day" means a day (other than a Saturday or Sunday or a public holiday) on which banks are open for business in London.
 - (3) "Day Count Fraction" means, in respect of an Interest Period, the actual number of days in such period divided by 365; or
 - (4) "Interest Determination Date" means the first day of each Interest Period.
 - (5) "Interest Determination Ratio" means, on any Interest Payment Date, (a) the aggregate Interest Collections 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 Interest Collections and all Principal Collections calculated in such Servicer Reports.
 - (6) "Minimum Amount" means one penny.
 - (7) "Rate of Interest" for any Interest Period means, the greater of (i) zero; and (ii) the Reference Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of such class.
 - (8) "Reconciliation Amount" means in respect of any Collection Period (a) the actual Principal Collections as determined in accordance with the available Servicer Reports, less (b) the Calculated Principal Collections in respect of such Collection Period, plus (c) any Reconciliation Amount not applied in previous Collection Periods.
 - (9) "Reference Banks" means the principal London office of each of 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, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such.
 - (10) "Reference Rate" means, on any Interest Determination Date, the floating rate determined by the Agent Bank by reference to the Screen Rate on such date or if, on such date, the Screen Rate is unavailable:
 - (a) the Rounded Arithmetic Mean of the offered quotations as at or about 11:00 a.m. (London time) on that date of the Reference Banks to major banks for Sterling deposits for the Relevant Period in the London

interbank market in the Representative Amount determined by the Agent Bank after request of each of the Reference Banks;

- (b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Reserve Reference Rate;

(11) "Relevant Margin" means:

- (a) for the Class A Notes, 0.85 per cent. per annum up to but excluding the Step-Up Date and thereafter 1.275 per cent. per annum;
- (b) for the Class B Notes, 1.07 per cent. per annum up to but excluding the Step-Up Date and thereafter 1.605 per cent. per annum;
- (c) for the Class C Notes, 1.27 per cent. per annum up to but excluding the Step-Up Date and thereafter 1.905 per cent. per annum;
- (d) for the Class D Notes, 1.70 per cent. per annum up to but excluding the Step-Up Date and thereafter 2.55 per cent. per annum;
- (e) for the Class E Notes, 2.10 per cent. per annum up to but excluding the Step-Up Date and thereafter 3.57 per cent. per annum;
- (f) for the Class F Notes, 2.50 per cent. per annum up to but excluding the Step-Up Date and thereafter 4.50 per cent. per annum;
- (g) for the Class G Notes, 4.50 per cent. per annum; up to but excluding the Step-Up Date and thereafter 8.10 per cent. per annum;
- (h) for the Class H Notes, 1.00 per cent. per annum; and
- (i) for the Subordinated Notes, 1.00 per cent. per annum,

the margin applying to a Class of Rated Notes on and from the Step-Up Date, the "Step-Up Margin" in respect of such Class of Notes.

(12) "Relevant Period" means, in relation to an Interest Determination Date, the length in months of the related Interest Period.

(13) "Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time.

(14) "Reserve Reference Rate" means on any Interest Determination Date:

- (a) the Rounded Arithmetic Mean of the rates at which deposits in Sterling are offered in the London interbank market at approximately 11:00 a.m. (London time) on the Interest Determination Date by the principal London office of each of four major banks selected by the Agent Bank in consultation with the Issuer for Sterling loans for the Relevant Period in the Representative Amount to major European banks; or

- (b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Reference Rate in effect for the Interest Period ending on the Business Day immediately preceding the relevant Interest Determination Date.
- (15) "Rounded Arithmetic Mean" means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards).
- (16) "Screen" means Reuters Screen LIBOR01; or
 - (a) such other page as may replace Reuters Screen LIBOR01 on that service for the purpose of displaying such information; or
 - (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Note Trustee) as may replace such screen.
- (17) "Screen Rate" means, in relation to (i) the first Interest Determination Date, the linear interpolation of the offered quotations for one month sterling deposits and three month sterling deposits, each in the London interbank market displayed on the Screen or (ii) any subsequent Interest Determination Date, the offered quotations for Sterling deposits for the Relevant Period which appears on the Screen as at or about 11:00 a.m. (London time) on that date (rounded upwards if necessary, to five decimal places).
- (18) "Servicer Report" means a report to be provided by the Portfolio Administrator no later than (in the case of any month in which an Interest Payment Date falls) the 4th Business Day of such month or (in the case of any month in which no Interest Payment Date falls) the 10th Business Day of such month in each case in accordance with the terms of the Administration Agreement and detailing, *inter alia*, the information relating to the Mortgage Portfolio necessary to produce the Investor Report.
- (19) "Step-Up Date" means the Interest Payment Date falling in March 2020.

6.4 Determination of Rates of Interest and Interest Amounts

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on the Interest Determination Date falling in such Interest Period, but in no event later than the third Business Day thereafter, determine the 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 Notes, be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Class of Notes and multiplying the product so calculated by the relevant Day Count Fraction and rounding the relevant figure downwards to the nearest Minimum Amount.

6.5 Publication of Rates of Interest and Interest Amounts

The Agent Bank shall cause the Rate of Interest and the Interest Amounts for each Class of Notes in respect of each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Administrator, 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 two Business Days prior to the immediately succeeding Interest Payment Date. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

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 and the Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Administrator, determine or cause to be determined the Rates of Interest and the Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 6.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, engage an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

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 (*Interest*), whether by the Reference Banks (or any of them), the Agent Bank, the Cash Administrator or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Administrator, 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 Administrator, 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 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, and shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed on terms commercially acceptable in the market.

6.9 **Determinations and reconciliation**

(A) In the event that the Cash Administrator does not receive a Servicer Report with respect to a Collection Period (each such period, a "Determination Period"), then the Cash Administrator may use the Servicer Reports 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 Administrator 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 Administrator 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 Administrator shall, on the Calculation Date immediately following such Determination Period:
- (1) 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;
 - (2) calculate the Interest Collections 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 Interest Collections"); and
 - (3) calculate the Principal Collections 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 Principal Collections").
- (C) Following the end of any Determination Period, upon receipt by the Cash Administrator of the Servicer Report in respect of such Determination Period, the Cash Administrator 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:
- (1) if the Reconciliation Amount is a positive number, the Cash Administrator 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 Interest Ledger, as Available Principal Receipts (with a corresponding debit of the Interest Ledger); and
 - (2) if the Reconciliation Amount is a negative number, the Cash Administrator shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Principal Ledger, as Available Interest Receipts (with a corresponding debit of the Principal Ledger),

provided that the Cash Administrator shall apply such Reconciliation Amount in determining Available Interest Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Administration Agreement and the Cash Administrator shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

7. Payments

7.1 Payment of interest and principal

Subject to paragraph 2 of Condition 3.1 (*Form and Denomination*), payments of any amount in respect of a Note, including principal and interest, shall be made by:

- (A) (other than in the case of final redemption) cheque drawn in Sterling; 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 an account in Sterling maintained by the payee with a bank in London; and
- (C) (in the case of final redemption) cheque drawn in Sterling 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 and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws, regulations and directives applicable thereto but without prejudice to the provisions of Condition 9 (*Taxation*) 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 (in each case without prejudice to the provisions of Condition 9 (*Taxation*)). Noteholders will not be charged commissions or expenses on payments.

7.3 Payment of Interest following a failure to pay principal

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 6.1 (*Accrual of interest*) and Condition 6.3 (*Rate of Interest*) will be paid in accordance with this Condition 7 (*Payments*).

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 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; 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 and Principal*)), then such unpaid interest shall itself bear interest (both before and after judgment) 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 March 2045 (the "Final Maturity Date").

8.2 **Mandatory Redemption**

(A) Prior to the service of an Enforcement Notice, the Notes shall be redeemed on each Interest Payment Date in an amount equal to the Available Principal Receipts available for such purpose in accordance with the Pre-Enforcement Principal Priority of Payments which shall be applied in the following order of priority:

- (1) to repay, *pro rata* and *pari passu*, the Class A Notes until they are each repaid in full; and thereafter to be applied,
- (2) to repay, *pro rata* and *pari passu*, the Class B Notes until they are each repaid in full; and thereafter to be applied,
- (3) to repay, *pro rata* and *pari passu*, the Class C Notes until they are each repaid in full; and thereafter to be applied,
- (4) to repay, *pro rata* and *pari passu*, the Class D Notes until they are each repaid in full; and thereafter to be applied,
- (5) to repay, *pro rata* and *pari passu*, the Class E Notes until they are each repaid in full; and thereafter to be applied,

- (6) to repay, *pro rata* and *pari passu*, the Class F Notes until they are each repaid in full; and thereafter to be applied,
 - (7) to repay, *pro rata* and *pari passu*, the Class G Notes until they are each repaid in full,
 - (8) to repay, *pro rata* and *pari passu*, the Class H Notes until they are each repaid in full,
 - (9) to repay, *pro rata* and *pari passu*, the Subordinated Notes until they are each repaid in full.
- (B) The Principal Amount Outstanding of the 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 Note of a particular Class (the "Note Principal Payment") on any Interest Payment Date prior to the service of an Enforcement Notice shall be the Available Principal Receipts available for such purpose on such Interest Payment Date in accordance with the Pre-Enforcement Principal Priority of Payments, as calculated on the Calculation Date immediately preceding such Interest Payment Date, multiplied by the relevant Pool Factor. With respect to each Note of a particular Class on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or the Cash Administrator shall on its behalf 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 is the Principal Amount Outstanding of the relevant Class of 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 60 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:
- (1) 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;
 - (2) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Notes on the relevant 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 Principal Priority of Payments; and

- (3) the date on which it is intended for the Notes to be redeemed in full falls on (A) the Interest Payment Date falling in March 2018 (the "Optional Redemption Date") or on any Interest Payment Date thereafter or (B) any Interest Payment Date on which the aggregate Current Balance of the Mortgage Loans (excluding any Enforced Loans) as of the immediately preceding Cut-Off Date was equal to or less than 10% of the aggregate Principal Amount Outstanding of the 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 of the relevant Note up to but excluding the date of redemption.

8.4 **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 or interest on any Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; 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 sub-paragraph (A) or (B) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and the Trust Deed, provided that:

- (1) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the holders of the 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 Portfolio Administrator 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, a written certification from the Portfolio Administrator to the Issuer, the Cash Administrator, the Note Trustee and the Security Trustee (a "Portfolio Administrator Certificate") 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 ratings of the Rated Notes) (upon which confirmation or certificate the Note Trustee shall be entitled to rely absolutely without liability to any person for so doing); and

- (2) 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-paragraphs (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 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-paragraphs (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 or 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 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 Interest Priority of Payments and the Pre-Enforcement Principal 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.

8.5 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 £161,905,000, in respect of the Class B Notes of £29,275,000, in respect of the Class C Notes of £23,929,000, in respect of the Class D Notes of £10,692,000, in respect of the Class E Notes of £9,164,000, in respect of the Class F Notes of £3,819,000, in respect of the

Class G Notes of £6,364,000, in respect of the Class H Notes of £9,419,000 and in respect of the Subordinated Notes of £3,590,000, 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 (or, if in respect of any reference to a particular Note, the original principal amount of that Note in each case less the aggregate amount of all principal payments in respect of such Note which have been made since the Closing Date).

8.6 Notice of Redemption

Any such notice as is referred to in Condition 8.3 (*Optional Redemption of the Notes in Full*) or Condition 8.4 (*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. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 8.3 (*Optional Redemption of the Notes in Full*) or Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*) may be relied on by the Note Trustee without further investigation and, if so relied on, shall be conclusive and binding on the Noteholders.

8.7 No Purchase by the Issuer

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

8.8 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 or pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 to 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof. In that event, subject to Condition 8.4 (*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 (*Prescription*), 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% in 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 BFL, the Security Trustee, the Portfolio Administrator, the Special Servicer, the Issuer Account Bank and the Cash Administrator), if any of the following events (each, an "Event of Default") occur:

- (A) if default is made in the payment of any principal or interest due in respect of the Most Senior Class of Notes and the default continues for: (i) a period of five Business Days in the case of principal, or (ii) three Business Days in the case of interest; or
- (B) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and 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

Each of the Note Trustee and the Security Trustee may, at any time, at its 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 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 Security Trustee may, at its discretion and without notice, 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% in 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, 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 (*Preservation of Assets*) 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 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 Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes then outstanding, the Class F Notes or, if there are no Rated Notes then outstanding, the Class G Notes or, if there are no Rated Notes and no Class G Notes then outstanding, the Class H Notes or, if there are no Rated Notes, no Class G Notes and no Class H Notes then outstanding, the Subordinated Notes.

13.3 Most Senior Class of Notes, Limitations on other Noteholders

(A) Other than in relation to a Basic Terms Modification, which additionally require an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or 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 or Classes of Notes and/or Residual Certificates, as applicable):

- (1) subject to Conditions 13.3(A)(2) and (3), an Extraordinary 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 Certificateholders irrespective of the effect upon them;
- (2) subject to Condition 13.3(A)(3), an Extraordinary 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 Principal Priority of Payments in each case and (ii) the Residual Certificates, irrespective of the effect it has upon them; and
- (3) no Extraordinary 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) Other than in relation to Basic Terms Modifications and subject as provided in Conditions 13.3(A) and 13.4 (*Quorum*), a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of:

- (1) 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;

- (2) Notes of more than one Class but does not give rise to a conflict of interest between the holders of such Classes of Notes shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes;
 - (3) one or more Classes of Notes and/or the Residual Certificates and gives or may give rise to, an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed only if 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 the holders of each such Class of Notes so affected and/or the Residual Certificates;
 - (4) one or more Classes of Notes and/or the Residual Certificates but does not give rise to, an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected and/or the Residual Certificates; and
 - (5) two or more Classes of Notes and gives, or may give, rise to an actual or potential conflict of interest between the holders of such Classes of Notes, shall be deemed to have been duly passed only if 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 the holders of each such Class of Notes so affected.
- (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).
- (D) No Ordinary Resolution that is passed by the holders 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 Ordinary 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.
- (E) No Ordinary Resolution that is passed by the holders of any Residual Certificates shall take effect for any purpose unless it shall have been sanctioned by an Ordinary Resolution of all Classes of Notes then outstanding or the Note Trustee is of the opinion it would not be materially prejudicial to the interests of any Class of Notes then outstanding.

13.4 Quorum

- (A) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for considering an ordinary Resolution will be one or more persons holding or representing not less than 25% of the 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 considering an Extraordinary Resolution will be one or more persons holding or representing not less than 50% of the 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 to consider 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 to consider an Extraordinary Resolution to effect a Basic Terms Modification, (vi) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes or the Residual Certificates, (vii) any change to the definition of a Basic Terms Modification, or (viii) alter any of the provisions relating to the passing or consideration by the Noteholders of an Extraordinary Resolution to effect a Basic Terms Modification as set out in the Trust Deed (each a "Basic Terms Modification") shall be one or more persons holding or representing in the aggregate not less than 75% of the Principal Amount Outstanding of each such Class or Classes of Notes then outstanding. 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) Subject as provided below, the quorum at any adjourned meeting of Noteholders of any Class or Classes for considering an Ordinary Resolution will be one or more persons holding or representing not less than 10% of the Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (E) Subject as provided below, the quorum at any adjourned meeting of Noteholders of any Class or Classes for considering an Extraordinary Resolution will be one or more persons holding or representing not less than 25% of the Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (F) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any adjourned meeting of any holders of any Class or Classes of Notes to consider an Extraordinary Resolution to sanction a Basic Terms Modification shall be one or more persons holding or representing in the aggregate not less than 75% of the Principal Amount Outstanding of each such Class of Notes then outstanding. 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.

The terms of the Trust Deed and the Deed of Charge provide for the Noteholders to give directions in writing to the Note Trustee and the Security Trustee upon which the Note Trustee or, as the case may be, the Security Trustee is bound to act.

- 13.5 The Note Trustee or, as the case may be, the Security 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 and (while any of the Rated Notes remain outstanding) after the Issuer having notified the Rating Agencies agree with the Issuer and any other parties in making or sanctioning any modification:
- (A) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee or, as the case may be, the Security 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 the interests of the Note Trustee or the Security Trustee; or
 - (B) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee or, as the case may be, the Security Trustee, such modification is of a formal, minor or technical nature or to correct a manifest error.
- 13.6 The Note Trustee and/or the Security Trustee, as applicable, may, 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 13.6 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 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 and/or the Security Trustee, as applicable, 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*).
- 13.8 Any modification to the Transaction Documents and the Conditions shall be notified by the Issuer in writing to the Rating Agencies.

- 13.9 In connection with any substitution of the Issuer as principal debtor under the Trust Deed, the Notes and the Residual Certificates referred to in Condition 8.4 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also 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 or, as the case may be, the Security Trustee, be materially prejudicial to the interests of the Noteholders or the other Secured Creditors.
- 13.10 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee and the Security Trustee may, among other things, have regard to (A) any confirmation made orally to the Issuer (in which case the Portfolio Administrator 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, any Portfolio Administrator Certificate delivered by the Portfolio Administrator to (among others) the Note Trustee and the Security Trustee.
- 13.11 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 and the Residual Certificates.
- 13.12 Other than in respect of any matter requiring an Extraordinary Resolution, Noteholders are required to vote by way of an Ordinary Resolution.
- 13.13 "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:
- (1) the conclusion of the meeting specified in such Block Voting Instruction; and

- (2) 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 (i) in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and (ii) 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:
 - (1) 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
 - (2) 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.

13.14 "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 "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 two-thirds 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 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 Principal Amount Outstanding of the relevant Class of Notes.

13.16 "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 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 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 Principal Amount Outstanding of the relevant Class of Notes.

13.17 "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:
 - (1) the conclusion of the meeting specified in such Voting Certificate; and
 - (2) 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.

13.18 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 Principal Paying Agent on behalf of the Issuer.

13.19 **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 13.19, 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) 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) notice is given to the Noteholders in accordance with Condition 16.1(C), 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 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

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 (*Subordination by deferral*), 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 Interest Priority of Payments (or, in respect of the Class G Notes, the Class H Notes and the Subordinated Notes following the Step-Up Date, the Pre-enforcement Principal 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.

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 (both before and after judgment), 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. 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.

20. 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 Celeste Mortgage Funding 2015-1 plc (the "Issuer") are constituted by a trust deed (the "Trust Deed") dated on 27 March 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") (in such capacity, 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 F Notes, the Class G Notes, the Class H 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"), Citigroup Global Markets Deutschland AG as registrar (in such capacity, the "Registrar") and Citibank, N.A., acting through its UK 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

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:
- (1) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
 - (2) 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 an 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 11.3 (*Limited Recourse*)) unconditional obligations of the Issuer, and represent the Issuer's obligation to pay deferred consideration for its purchase of the Mortgage 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 Interest Priority of Payments, Pre-Enforcement Principal 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 or 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 Mortgage 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:
 - (1) 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 Interest Receipts exceeds the amounts required to satisfy items (A) to (W) of the Pre-Enforcement Interest Priority of Payments on that Interest Payment Date; and
 - (b) the amount (if any) by which Available Principal Receipts exceeds the amounts required to satisfy items (A) to (N) of the Pre-Enforcement Principal Priority of Payments on that Interest Payment Date; and
 - (2) 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 (M) 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 Administrator 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 Administrator shall cause the Residual Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Cash Administrator, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with Residual Certificates Condition 15 (*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 Administrator 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. Any such determination shall be deemed to be a determination made by the Cash Administrator.

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 Administrator or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Administrator, 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 Administrator, 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*), 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, regulations and directives applicable thereto but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of 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 (in each case without prejudice to the provisions of Condition 8 (*Taxation*)). 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 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; 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 15 (*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. Taxation

- 8.1 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 pursuant to Residual Certificates Condition 8.2 or by applicable law or pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 to 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof. In that event, the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction.

- 8.2 The Issuer will treat all payments of Residual Payment Amounts made in respect of the Residual Certificates as being annual payments for United Kingdom tax purposes and shall deduct from such payments a sum representing United Kingdom income tax at the basic rate, unless:
- (A) the Issuer reasonably believes that the person who is beneficially entitled to the payments in respect of the relevant Residual Certificates is a person to whom such payments may be made gross under the provisions of Chapter 11 Part 15 of the Income Tax Act 2007 and HM Revenue & Customs (or any successor thereto) ("HMRC") has not issued a direction to the Issuer under section 931 of the Income Tax Act 2007 in relation to such payments; or
 - (B) HMRC has confirmed to the Issuer that payments to be made to the holder of the relevant Residual Certificates should not be treated as annual payments for United Kingdom tax purposes; or
 - (C) each of the Issuer and the Note Trustee has received a legal opinion in form and substance satisfactory to it stating that the payments made in respect of the Residual Certificates should not be treated as annual payments for United Kingdom tax purposes or otherwise should not be subject to any requirement to deduct or withhold of United Kingdom income tax therefrom; or
 - (D) the Issuer has received a direction from HMRC to make the payments in respect of the Residual Certificates without deduction for or on account of United Kingdom income tax pursuant to the double tax treaty between the UK and the territory in which the holder of the relevant Residual Certificates is resident for tax purposes; or
 - (E) the Issuer is otherwise satisfied that payments in respect of the Residual Certificates do not fall to be treated as annual payments and/or no deduction for or on account of United Kingdom income tax is required by law to be made from payments in respect of Residual Certificates for a reason other than those specified in (A) to (D) above.

9. **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 9, the "Relevant Date", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies

payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Certificateholders in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*).

10. Events of Default

10.1 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% 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 Portfolio Administrator, the Special Servicer, the Issuer Account Bank and the Cash Administrator:

- (A) if default is made in the payment of any amount due in respect of the Residual Certificates and the default continues for a period of 14 Business Days; or
- (B) if the Issuer fails to perform or observe any of its other obligations under these Residual Certificates Conditions or any Transaction Document to which it is a party and 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 within 30 days; or

- (F) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

10.2 General

Upon the service of an Enforcement Notice by the Note Trustee in accordance with Residual Certificates Condition 10.1 (*Residual Certificates*), any Residual Payments pursuant to the Residual Certificates shall thereby immediately become due and payable.

11. Enforcement

11.1 General

Each of the Note Trustee and the Security Trustee may, at any time, at its 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 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 Security Trustee may, at its discretion and without notice, 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 Security Trustee shall have been so directed by an Extraordinary Resolution of the Certificateholders or directed in writing by the holders of at least 25% 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.

11.2 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.

11.3 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.

12. **Meetings of Certificateholders and Noteholders, modification, waiver and substitution**

12.1 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.

12.2 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 then outstanding, the Class E Notes, or, if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes then outstanding, the Class F Notes or, if there are no Rated Notes then outstanding, the Class G Notes or, if there are no Rated Notes and no Class G Notes then outstanding, the Class H Notes, or, if there are no Rated Notes, no Class G Notes and no Class H Notes then outstanding, the Subordinated Notes.

12.3 **Most Senior Class of Notes, Limitations on other Noteholders and Certificateholders**

- (A) Other than in relation to a Basic Terms Modification, which additionally require an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or 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 each affected Class or Classes of Notes and/or Residual Certificates, as applicable):
 - (1) subject to Residual Certificates Conditions 12.3(A)(2) and (3), an Extraordinary 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;

- (2) subject to Residual Certificates Condition 12.3(A)(3), an Extraordinary Resolution passed at any meeting of a relevant Class of Noteholders shall be binding on (i) all other Classes of Noteholders ranking junior to such Class of Noteholders in the Pre-Enforcement Principal Priority of Payments in each case and (ii) the Residual Certificates, irrespective of the effect it has upon them; and
 - (3) no Extraordinary 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) Other than in relation to Basic Terms Modifications and subject as provided in Residual Certificates Conditions 12.3(A) and 12.4 (*Quorum*), a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of:
- (1) 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;
 - (2) Notes of more than one Class but does not give rise to a conflict of interest between the holders of such Notes of more than one Class, shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of the Notes of such Class;
 - (3) one or more Classes of Notes and the Residual Certificates and gives, or may give rise to an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed only if passed at separate meetings (or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected and the Residual Certificates;
 - (4) one or more Classes of Notes and/or the Residual Certificates but does not give rise to, an actual or potential conflict of interest between the holders of such Notes and the Residual Certificates, shall be deemed to have been duly passed if passed at a single meeting (or by a single resolution in writing or by a single resolution passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected and/or the Residual Certificates; and
 - (5) two or more Classes of Notes and gives, or may give, rise to an actual or potential conflict of interest between the holders of such Classes of Notes, shall be deemed to have been duly passed only if passed at separate meetings (or by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of the holders of each such Class of Notes so affected.
- (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).

- (D) No Ordinary Resolution that is passed by the holders of the Residual Certificates shall take effect for any purpose while any of the Notes remain outstanding unless it shall have been sanctioned by an Ordinary Resolution of the holders of the Most Senior Class of Notes and all other Classes of Notes then outstanding, 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 or any other Classes of Notes then outstanding.

12.4 Quorum

- (A) Subject as provided below, the quorum at any meeting of Certificateholders for considering an Ordinary Resolution will be one or more persons holding or representing not less than 25% of the Residual Certificates then in issue.
- (B) Subject as provided below, the quorum at any meeting of Certificateholders for considering an Extraordinary Resolution will be one or more persons holding or representing not less than 50% 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 to consider 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) any change to the definition of Basic Terms Modification, or (viii) 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 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) Subject as provided below, the quorum at any adjourned meeting of Certificateholders for considering an Ordinary Resolution will be one or more persons holding or representing not less than 10% of the Residual Certificates then in issue.

- (E) Subject as provided below, the quorum at any adjourned meeting of Certificateholders for considering an Extraordinary Resolution will be one or more persons holding or representing not less than 25% of the Residual Certificates then in issue.
- (F) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any adjourned meeting of any holders of any Residual Certificates to consider an Extraordinary Resolution to sanction a Basic Terms Modification, shall be one or more persons holding or representing in the aggregate not less than 75% 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.

12.5 The Note Trustee or, as the case may be, the Security 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 and (while any of the Rated Notes remain outstanding) after the Issuer having notified the Rating Agencies agree with the Issuer and any other parties in making or sanctioning any modification:

- (A) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document, which in the opinion of the Note Trustee (acting in accordance with the Trust Deed) or, as the case may be, the Security Trustee (acting on the directions 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 the interests of the Note Trustee or the Security Trustee; or
- (B) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document if in the opinion of the Note Trustee (acting in accordance with the Trust Deed) or, as the case may be, the Security Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.

12.6 The Note Trustee and/or the Security Trustee, as applicable, may, 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 neither the Note Trustee nor the Security Trustee shall exercise any powers conferred on it by this Residual Certificates Condition 12.6 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 10 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

12.7 Any such modification, waiver, authorisation or determination by the Note Trustee and/or the Security Trustee, as applicable, 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 15 (*Notice to Certificateholders*).

- 12.8 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 12.9 In connection with any such substitution of principal debtor referred to in Condition 8.4 (*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.
- 12.10 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these 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.
- 12.11 Other than in respect of any matter requiring an Extraordinary Resolution, Certificateholders are required to vote by way of an Ordinary Resolution.
- 12.12 "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:
- (1) the conclusion of the meeting specified in such Block Voting Instruction; and
- (2) 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:
 - (1) 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
 - (2) 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.

12.13 "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.

12.14 "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 two-thirds 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.

12.15 "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 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.

12.16 "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 t occur of:
 - (1) the conclusion of the meeting specified in such Voting Certificate; and
 - (2) 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.

12.17 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 Principal Paying Agent on behalf of the Issuer.

12.18 **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 12.18, 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.

13. **Indemnification and exoneration of the Note Trustee and the Security Trustee**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions

relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual 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.

14. 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.

15. Notice to Certificateholders

15.1 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.

15.2 Note Trustee's Discretion to Select Alternative Method

The Note Trustee shall be at liberty to sanction some other method of giving notice to the 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.

16. 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.

17. 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.

18. 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 Interest & Customs ("HMRC") practice relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer), to whom special rules may apply. 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 or 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 professional advice.

Interest on the Notes

Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding for or 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 are and remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom income tax.

The Issuer is also entitled to make payments of interest on the Notes without withholding or deduction for or on account of United Kingdom income tax, if 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, broadly, the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest or falls within a list of specified tax exempt entities and bodies, provided that HMRC has not given a direction (in circumstances where HMRC 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%). 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.

On 24 March 2014, the Council of the European Union adopted the Amending Directive, amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will 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 will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will 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.

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 rate of withholding tax in Austria is 35%. The changes referred to above will broaden the types of payments subject to such a withholding system in Austria.

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).

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code, and US Treasury regulations promulgated thereunder that took effect on 28 January 2013, as amended from time to time (together "FATCA") impose a new reporting regime and potentially a 30% 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 Interest 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 such investor is a U.S. person or should otherwise be treated as holding a "United States account" (as defined under FATCA) of the Issuer (a "Recalcitrant Holder").

FATCA implementation is being phased in from 01 July 2014 for payments from sources within the United States and is currently proposed to apply to "foreign passthru payments" (a term not yet defined) made by an FFI to a non-participating FFI or Recalcitrant Holder no earlier than 01 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes issued or materially modified on or 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 payment' are filed with the Federal Register; and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions announced their intention to enter into intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). In some cases such IGAs have been signed; in other cases, negotiations are still ongoing. Pursuant

to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, most FFIs in an IGA signatory country should be treated as a "Reporting FI" that would generally not be subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA or agreement with the IRS relating to FATCA) (any such withholding being a "FATCA Withholding") from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes or, in certain limited circumstances, where the payments are made to a Recalcitrant Holder). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required, as a Participating FFI, to make FATCA Withholdings on foreign passthru payments and payments that it makes to Recalcitrant Holders. 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 unless it is treated as exempt from having "financial accounts" for FATCA purposes. As announced in Notice 2013-43 and Notice 2014-17, the US IRS is maintaining a list of jurisdictions that will be treated as having in effect or agreed in substance with the United States an IGA, even though that IGA may not have entered into force as of 01 July 2014.

The United States and the United Kingdom have entered into an agreement (the "US-UK IGA") based largely on the Model 1 IGA and as such the Issuer will be required to comply with FATCA under national legislation implementing the US-UK IGA.

The Issuer is currently not expected to be required to make any FATCA Withholdings before 01 January 2017 from the payments it makes. There can be no assurance, however, that the Issuer would not in the future be required to deduct FATCA Withholding from future payments. Accordingly, the Issuer and financial institutions through which payments on the Notes or the 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.

If a FATCA Withholding were to be made from interest, principal or other payments made in respect of the Notes or the Residual Certificates, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes or pursuant to the conditions of the Residual Certificates, be required to pay any additional amounts as a result of the FATCA Withholding. As a result, investors may receive less interest or principal than expected.

While the Notes and the Residual Certificates are in global form and held within a clearing system, it is not expected that FATCA will affect the amount of any payments made under, or in respect of, the Notes or the Residual Certificates by the Issuer or any paying agent for such clearing system, given that each of the entities in the payment chain between the Issuer and the clearing system 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, in certain specific circumstances, the Notes or the Residual Certificates may convert into definitive form and therefore cease to be held through a clearing system. If this were to happen then, depending on the circumstances, payments to a non-FATCA compliant holder could be subject to FATCA Withholding. However, conversion into definitive notes or residual certificates is only anticipated to occur in remote circumstances.

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 may also 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 that

each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms and/or other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes and the Residual Certificates are discharged once it has paid the depositary for the clearing system (as legal owner of the Notes) the clearing system and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the clearing systems and custodians or intermediaries.

THE FATCA PROVISIONS ARE PARTICULARLY COMPLEX AND THEIR APPLICATION TO THE ISSUER AND THE NOTES AND THE RESIDUAL CERTIFICATES IS UNCERTAIN AT THIS TIME. THE ABOVE DESCRIPTION IS BASED IN PART ON REGULATIONS, OFFICIAL GUIDANCE AND MODEL IGAS, ALL OF WHICH ARE SUBJECT TO CHANGE OR MAY BE IMPLEMENTED IN A MATERIALLY DIFFERENT FORM. NOTHING IN THIS SECTION CONSTITUTES OR PURPORTS TO CONSTITUTE TAX ADVICE AND NOTEHOLDERS AND CERTIFICATEHOLDERS ARE NOT ENTITLED TO RELY ON ANY PROVISION SET OUT IN THIS SECTION FOR THE PURPOSES OF MAKING ANY INVESTMENT DECISION, TAX DECISION OR OTHERWISE. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF THE FATCA PROVISIONS AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT IT IN ITS PARTICULAR CIRCUMSTANCES.

SUBSCRIPTION AND SALE

Macquarie Bank Limited, London Branch (the "Arranger" and a "Lead Manager"), and Credit Suisse Securities (Europe) Limited (a "Lead Manager" and, together with Macquarie Bank Limited, London Branch, the "Joint Lead Managers") and the Seller have, pursuant to a subscription agreement dated on or around 26 March 2015 between the Seller, BFL, the Arranger, the Joint Lead Managers and the Issuer (the "Subscription Agreement"), agreed with the Issuer (subject to certain conditions) to subscribe, or procure subscribers, and pay for (in each case on a best efforts basis and in the proportions set out in the Subscription Agreement):

(A) in the case of the Joint Lead Managers:

- (1) £161,905,000 of the Class A Notes at the issue price of 98.94% of the aggregate principal amount of the Class A Notes;
- (2) £29,275,000 of the Class B Notes at the issue price of 97.51% of the aggregate principal amount of the Class B Notes;
- (3) £23,929,000 of the Class C Notes at the issue price of 97.06% of the aggregate principal amount of the Class C Notes;
- (4) £10,692,000 of the Class D Notes at the issue price of 96.77% of the aggregate principal amount of the Class D Notes;
- (5) £9,164,000 of the Class E Notes at the issue price of 93.72% of the aggregate principal amount of the Class E Notes; and
- (6) £3,819,000 of the Class F Notes at the issue price of 91.25% of the aggregate principal amount of the Class F Notes;

(B) in the case of the Seller:

- (1) the Class G Notes (other than any Class G Notes in respect of which the Joint Lead Managers are able to procure third party investors as described below) at the issue price of 100% of the aggregate principal amount of the Class G Notes so subscribed for by the Seller;
- (2) the Class H Notes at the issue price of 146.76% of the aggregate principal amount of the Class H Notes; and
- (3) the Subordinated Notes at the issue price of 100% of the aggregate principal amount of the Subordinated Notes,

respectively as at the Closing Date.

In addition, each of the Joint Lead Managers has agreed with the Issuer pursuant to the Subscription Agreement (subject to certain conditions) to procure subscribers, on a reasonable endeavours basis, on the Closing Date, for the Class G Notes at the issue price of 100% of the aggregate principal amount of the Class G Notes.

The Issuer has agreed to indemnify the Seller, BFL, the Arranger and the Joint Lead Managers against certain liabilities in connection with the issue of the Notes and the Residual Certificates.

Pursuant to the Subscription Agreement, the Seller will undertake to the Joint Lead Managers and the Arranger to:

- (A) retain the Retained Exposures in accordance with Part Five of the CRR and Article 51 of the AIFM Regulation;
- (B) notify such parties on or prior to each Cut-Off Date occurring after the Closing Date that it continues to hold the Retained Exposures (and the Issuer shall procure that the Cash Administrator shall reflect the same in the Investor Report that follows the date of such notice);
- (C) notify each of the Joint Lead Managers and the Arranger as soon as practicable in the event it no longer holds the Retained Exposures;
- (D) not reduce its credit exposure to the Retained Exposures either through hedging or the sale of all or part of the Retained Exposures, except as may be permitted under Part Five of the CRR and Article 51 of the AIFM Regulation; and
- (E) comply with the disclosure obligations imposed on sponsor or originator credit institutions under Article 409 of Part Five of the CRR and provide to the Joint Lead Managers, the Issuer and all prospective investors readily available access to the data and information referred to in Article 409 of Part Five of the CRR and Section 5 of the AIFM Regulation (subject to all applicable laws).

BFL will undertake to the Joint Lead Managers and the Arranger in the Subscription Agreement to:

- (A) legally and beneficially own the entire allotted and issued share capital of the Seller for so long as the Seller holds the Retained Exposures;
- (B) procure that the Basinghall Group shall continue to be exposed to the securitisation and will comply, and shall procure that none of the entities in the Basinghall Group will enter any transaction which could result in non-compliance, with the requirements of Part Five of the CRR and Article 51 of the AIFM Regulation in respect of that exposure;
- (C) notify such parties as soon as practicable in the event that the Basinghall Group no longer complies with the requirements of Part Five of the CRR and Article 51 of the AIFM Regulation; and
- (D) not reduce the credit exposure of the Basinghall Group to the Retained Exposures either through hedging or the sale of all or part of the Retained Exposures, except as may be permitted under Part Five of the CRR and Article 51 of the AIFM Regulation.

As at the Closing Date, such retention requirement will be satisfied by the Seller holding 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 as required by the text of each of Article 405 of Part Five of the CRR and Article 51 of the AIFM Regulation (comprising the Class H Notes and the Subordinated Notes). Any change to the manner in which such interest is held will be notified to the Noteholders.

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.

Each of the Joint Lead Managers (in respect of the Rated Notes only), BFL and the Seller has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. See "*Transfer Restrictions and Investor Representations*" below.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers (in respect of the Rated Notes only), BFL and the Seller 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.

Each of the Joint Lead Managers, BFL and the Seller 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 any Joint Lead Manager, BFL or the Seller 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

Each Joint Lead Manager (in respect of the Rated Notes only), BFL and the Seller has represented, warranted and undertaken 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 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 Irish 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;

- (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 Irish Prospectus (Directive 2003/71/EC) Regulations, 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005, by the Central Bank of Ireland; and
- (D) it will not underwrite the issue of, place or otherwise act in Ireland 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 Irish Investment Funds, Companies and Miscellaneous Provisions Act, 2005 by the Central Bank of Ireland.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each of the Joint Lead Managers (in respect of the Rated Notes only), BFL and the Seller has represented to and agreed with the Issuer with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") no offer of the Notes may be made to the public in that Relevant Member State except that, with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State:

- (A) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (B) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or
- (C) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall require the publication by the issuer or any other entity of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the provision above, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

General

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 Joint Lead Managers, BFL 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 Issuer, the Arranger, each Joint Lead Manager (in respect of the Rated Notes only), BFL 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.

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.

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) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, 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."

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 26 March 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 19 January 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 19 January 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 25 March 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:

Class of Notes/Residual

Certificates	ISIN	Common Code
Class A Notes	XS1200783212	120078321
Class B Notes	XS1200785183	120078518
Class C Notes	XS1200785423	120078542
Class D Notes	XS1200786074	120078607
Class E Notes	XS1200786660	120078666
Class F Notes	XS1200787049	120078704
Class G Notes	XS1200787395	120078739
Class H Notes	XS1200787551	120078755
Subordinated Notes	XS1200787718	120078771
Residual Certificates	XS1202639271	120263927

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:
 - (1) the Agency Agreement;
 - (2) the Deed of Charge;
 - (3) the Administration Agreement;
 - (4) the Special Servicing Agreement;
 - (5) the Standby Portfolio Administrator Agreement;
 - (6) the Standby Cash Administrator Agreement;
 - (7) the Master Definitions and Construction Schedule;
 - (8) the Mortgage Sale Agreement;
 - (9) the Corporate Services Agreement;
 - (10) the Account Bank Agreement;
 - (11) the Collection Account Declaration of Trust;
 - (12) the Share Trust Deed; and
 - (13) the Trust Deed.
10. The Cash Administrator on behalf of the Issuer will publish investor reports on a monthly basis detailing, *inter alia*, certain aggregated loan data in relation to the Mortgage 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 Portfolio Administrator, the Special Servicer, the Security Trustee, the Noteholders, the Certificateholders, the Rating Agencies, Bloomberg and (subject to the written consent of the Special Servicer) any prospective investors in the Notes. In addition, information on the Mortgage Loans in the Mortgage 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 Mortgage Loans.
11. The Issuer confirms that the Mortgage 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 the Mortgage Loans 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. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market of the Irish Stock Exchange.

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ISSUER

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