

## IMPORTANT NOTICE

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

**IMPORTANT: YOU MUST READ THE FOLLOWING BEFORE CONTINUING.** THE FOLLOWING APPLIES TO THE PROSPECTUS FOLLOWING THIS PAGE, AND YOU ARE THEREFORE ADVISED TO READ THIS CAREFULLY BEFORE READING, ACCESSING OR MAKING ANY OTHER USE OF THE PROSPECTUS. IN ACCESSING THE PROSPECTUS, YOU AGREE TO BE BOUND BY THE FOLLOWING TERMS AND CONDITIONS, INCLUDING ANY MODIFICATIONS TO THEM ANY TIME YOU RECEIVE ANY INFORMATION FROM US AS A RESULT OF SUCH ACCESS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER 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 U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF THE SELLER (A "**U.S. RISK RETENTION CONSENT**") AND WHERE SUCH SALE FALLS WITHIN THE EXEMPTION PROVIDED BY SECTION 20 OF THE FINAL RULES PROMULGATED UNDER SECTION 15G OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "**U.S. RISK RETENTION RULES**"), THE NOTES AND THE RESIDUAL CERTIFICATES OFFERED AND SOLD BY THE ISSUER MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "U.S. PERSON" AS DEFINED IN THE U.S. RISK RETENTION RULES ("**RISK RETENTION U.S. PERSONS**"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "U.S. PERSON" IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO, THE DEFINITION OF "U.S. PERSON" IN REGULATION S. EACH PURCHASER OF THE NOTES, THE RESIDUAL CERTIFICATES OR A BENEFICIAL INTEREST THEREIN ACQUIRED IN THE INITIAL SYNDICATION OF THE NOTES OR RESIDUAL CERTIFICATES BY ITS ACQUISITION OF THE NOTES, THE RESIDUAL CERTIFICATE OR A BENEFICIAL INTEREST THEREIN, WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT (1) EITHER (i) IS NOT A RISK RETENTION U.S. PERSON OR (ii) IT HAS OBTAINED A U.S. RISK RETENTION CONSENT FROM THE SELLER, (2) IS ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH NOTE, AND (3) IS NOT ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES (INCLUDING ACQUIRING SUCH NOTE THROUGH A NON-RISK RETENTION U.S. PERSON, RATHER THAN A RISK RETENTION U.S. PERSON, AS PART OF A SCHEME TO EVADE THE 10 PER CENT. RISK RETENTION U.S. PERSON LIMITATION IN THE EXEMPTION PROVIDED FOR IN SECTION 20 OF THE U.S. RISK RETENTION RULES).

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN

A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THIS PROSPECTUS HAS BEEN DELIVERED TO YOU ON THE BASIS THAT YOU ARE A PERSON INTO WHOSE POSSESSION THIS PROSPECTUS MAY BE LAWFULLY DELIVERED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH YOU ARE LOCATED. BY ACCESSING THE PROSPECTUS, YOU SHALL BE DEEMED TO HAVE CONFIRMED AND REPRESENTED TO US THAT (A) YOU HAVE UNDERSTOOD AND AGREE TO THE TERMS SET OUT HEREIN, (B) YOU CONSENT TO DELIVERY OF THE PROSPECTUS BY ELECTRONIC TRANSMISSION, (C) YOU ARE NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT) OR ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND THE ELECTRONIC MAIL ADDRESS THAT YOU HAVE GIVEN TO US AND TO WHICH THIS EMAIL HAS BEEN DELIVERED IS NOT LOCATED IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS) OR THE DISTRICT OF COLUMBIA AND (D) IF YOU ARE A PERSON IN THE UNITED KINGDOM, THEN YOU ARE A PERSON WHO (I) HAS PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS OR (II) IS A HIGH NET WORTH ENTITY FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL SERVICES AND MARKETS ACT (FINANCIAL PROMOTION) ORDER 2005.

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Charter Mortgage Funding 2017-1 plc (the "**Issuer**"), Charter Court Financial Services Limited ("**CCFS**"), Lloyds Bank plc, Merrill Lynch International, MUFG Securities EMEA plc nor any person who controls any such person nor any director, officer, employee or agent of any such person or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from Lloyds Bank plc, Merrill Lynch International or MUFG Securities EMEA plc.

## CHARTER MORTGAGE FUNDING 2017-1 PLC

*(Incorporated in England and Wales with limited liability, registered number 10814424)*

Class of Notes	Initial Principal Amount	Issue Price	Reference Rate	Margin (payable up to and including the Optional Redemption Date)	Step-Up Margin (payable after the Optional Redemption Date)	Ratings (S&P/Moody's)	Final Maturity Date
Class A Notes	£260,172,000	100%	Three Month LIBOR*	0.50%	0.75%	AAA(sf)/Aaa(sf)	The Interest Payment Date falling in June 2054
Class B Notes	£12,636,000	100%	Three Month LIBOR*	1.30%	1.95%	AA(sf)/Aaa(sf)	The Interest Payment Date falling in June 2054
Class C Notes	£9,663,000	100%	Three Month LIBOR*	1.70%	2.55%	A-(sf)/Aa2(sf)	The Interest Payment Date falling in June 2054
Class D Notes	£11,893,000	100%	Three Month LIBOR*	2.20%	3.30%	BBB(sf)/A3(sf)	The Interest Payment Date falling in June 2054
Class Z Notes	£2,977,000	100%	8% per annum	N/A	N/A	Not Rated	The Interest Payment Date falling in June 2054
Subordinated Notes	£5,888,000	100%	10% per annum	N/A	N/A	Not Rated	The Interest Payment Date falling in June 2054

The Optional Redemption Date is the Interest Payment Date falling in September 2021.

From the Collection Period Start Date immediately preceding the Optional Redemption Date, the Option Holder has the right to exercise the Call Option in relation to the Portfolio, which would result in an early redemption of the Notes.

ARRANGER

**LLOYDS BANK**

JOINT LEAD MANAGERS

**BANK OF AMERICA MERRILL LYNCH**

**MUFG**

**LLOYDS BANK**

The date of this Prospectus is 26 July 2017

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

<b>Issue Date</b>	The Issuer will issue the Notes in the classes set out above and the Residual Certificates on or about 27 July 2017 (the " <b>Closing Date</b> ").
<b>Standalone/ programme issuance</b>	Standalone issuance.
<b>Listing</b>	This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the " <b>Prospectus Directive</b> "). This Prospectus has been approved by the Central Bank of Ireland (the " <b>Central Bank</b> ") as the competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes (together, the " <b>Rated Notes</b> "), the Class Z Notes and the Subordinated Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the " <b>Markets in Financial Instruments Directive</b> ") and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc (the " <b>Irish Stock Exchange</b> ") for the Notes to be admitted to the official list (the " <b>Official List</b> ") and trading on its regulated market (the " <b>Main Securities Market</b> "). The Irish Stock Exchange's Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.
<b>Underlying Assets</b>	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and revenue received from a portfolio comprising mortgage loans and their related security originated by CCFS under its trading name of Precise Mortgages ("<b>Precise</b>") and secured over residential properties located in England, Wales and Scotland and sold by CCFS (in its capacity as the seller, the "<b>Seller</b>") to the Issuer on the Closing Date. The Issuer confirms that the assets backing the issue of the Notes and the Notes are not part of a re-securitisation.</p> <p>See the sections entitled "<i>Transaction Overview – Portfolio and Servicing</i>", "<i>The Loans</i>" and "<i>Characteristics of the Provisional Portfolio</i>" for further details.</p>
<b>Credit Enhancement</b>	<p>Credit enhancement of the Notes is provided in the following manner:</p> <ul style="list-style-type: none"> <li>• in relation to any Class of Notes (other than the Subordinated Notes and the Class Z Notes), the relevant overcollateralisation funded by Notes ranking junior to such Class of Notes in the Priority of Payments (other than the Subordinated Notes);</li> <li>• the amount by which Available Revenue Receipts exceed the amounts required to pay interest on the relevant Class of Notes in accordance with the Pre-Enforcement Revenue Priority of Payments and all other amounts ranking in priority thereto; and</li> <li>• following service of an Enforcement Notice, in respect of all Notes all amounts credited to the Class A and Class B Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger, subject to application in accordance with the Post-Enforcement Priority of Payments.</li> </ul> <p>See the sections entitled "<i>Transaction Overview – Credit Structure and Cashflow</i>" and "<i>Credit Structure</i>" for further details. In relation to the Rated Note Reserve Fund Excess Amount, see the section entitled "<i>Credit Structure – Rated Note Reserve Fund and Rated</i>"</p>

*Note Reserve Fund Ledger*" for further details.

## **Liquidity Support**

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

- the subordination in payment of those Classes of Notes ranking junior in the relevant Priority of Payments and the Residual Certificates;
- in respect of the Class A Notes and the Class B Notes only, the Principal Addition Amounts (as defined herein), subject to the limitations set out in the definition of Senior Expenses Deficit;
- in respect of the Class A Notes and the Class B Notes only, all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund; and
- in respect of the Rated Notes only, all amounts standing to the credit of the Rated Note Reserve Fund.

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

## **Redemption Provisions**

Information on any mandatory redemption of the Notes is summarised on page 69 ("*Transaction Overview – Summary of the Terms and Conditions of the Notes*") and set out in full in Condition 8 (*Redemption*) of the terms and conditions of the Notes (the "**Conditions**").

## **Credit Rating Agencies**

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

## **Credit Ratings**

The ratings assigned to the Rated Notes by both S&P and Moody's address, *inter alia* (a) the likelihood of full and timely payment to the holders of the Class A Notes, the Class B Notes and, if no Class A Notes or Class B Notes remain outstanding, the Most Senior Class of Notes, of all payments of interest on each Interest Payment Date and (b) the likelihood of ultimate payment to the holders of the Rated Notes (the "**Rated Noteholders**") of principal in relation to the Rated Notes on or prior to the Final Maturity Date. The ratings assigned to the Rated Notes by Moody's also address, *inter alia*, the expected loss to a Noteholder in proportion to the Principal Amount Outstanding on the Closing Date of the Class of Notes held by such Noteholder on the Final Maturity Date.

Ratings are expected to be assigned to each class of Rated Notes on or before the Closing Date. The assignment of a rating to each class of Rated Notes by any Rating Agency is not a recommendation to invest in the Rated Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.

The Class Z Notes, the Subordinated Notes and the Residual Certificates will not be rated.

## **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.

**Risk Retention Undertaking** On the Closing Date, the Seller will, as an originator for the purposes of the CRR, the AIFM Regulation and the Solvency II Regulation (each as defined below), retain on an ongoing basis a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of each of Article 405 of Regulation (EU) No 575/2013 (the "**Capital Requirements Regulation**" or "**CRR**"), Article 51 of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Manager Regulation (the "**AIFM Regulation**") and Article 254 of Regulation (EU) 2015/35 (the "**Solvency II Regulation**") (which, in each case, does not take into account any corresponding national measures) (the "**Retention**"). As at the Closing Date, such interest will comprise retention of randomly selected exposures equivalent to no less than 5 per cent. of the nominal value of the securitised exposures, where such exposures would otherwise have been securitised in the transaction affected by the Issuer, as required by the text of each of paragraph (c) of Article 405(1) of the CRR, paragraph (c) of Article 51(1) of the AIFM Regulation and paragraph (c) of Article 254(2) of the Solvency II Regulation. See the section entitled "*EU Risk Retention Requirements*" for further information.

The Seller, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5 per cent. of the credit risk of the securitized assets for purposes of compliance with the final rules promulgated under Section 15G of the Securities Exchange Act of 1934, as amended (the "**U.S. Risk Retention Rules**"), but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. See the section entitled "*Risk Factors - U.S. Risk Retention Requirements*".

**The Volcker Rule** The Issuer is of the view that it is not now, and immediately after giving effect to the offering and sale of the Notes and the application of the proceeds thereof on the Closing Date will not be, a "covered fund" (together with such implementing regulations for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the "**Volcker Rule**")). In reaching this conclusion, although other statutory or regulatory exclusions and/or exemptions under the Investment Company Act of 1940, as amended (the "**Investment Company Act**") and under the Volcker Rule and its related regulations may be available, the Issuer has relied on the determination that it would satisfy all of the elements of the exemption from the definition of "investment company" under the Investment Company Act provided by Section 3(c)(5) thereunder. See the section entitled, and, accordingly, may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to certain issuers that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from registration under the Investment Company Act. However, the general effects of the Volcker Rule remain uncertain. Any prospective investor in the Notes or Residual Certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule. See the section entitled "*Risk Factors – Effects of the Volcker Rule on the Issuer*".

**ERISA Considerations** The Notes may not be purchased or held by any "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), which is subject thereto, or any "plan" as defined in Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") to which Section 4975 of the Code applies, or by any person any of the assets of which are, or are deemed for purposes of ERISA or Section 4975 of the Code to be, assets of such an "employee benefit plan" or "plan", or by any governmental, church or non-U.S. plan which is subject to any state, local, other federal law of the United States or non-U.S. law that is substantially similar to

the provisions of Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"), and each purchaser of the Notes will be deemed to have represented, warranted and agreed that it is not, and for so long as it holds the Notes will not be, such an "employee benefit plan", "plan", person or governmental, church or non-U.S. plan subject to Similar Law.

**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 Portfolio (consisting of the RC1 Payments and the RC2 Payments). See the section entitled "*Terms and Conditions of the Residual Certificates*" for further details.

**Significant  
Investor**

Charter Mortgages Limited (**CML**), a related entity of the Seller, will on the Closing Date purchase 100 per cent. of the Class Z Notes and 100 per cent. of the Subordinated Notes. On the Closing Date, a single investor, that is not a related entity of the Seller, will purchase 100 per cent. of the Class B Notes, Class C Notes and Class D Notes. Neither CML nor any single investor of the Class B Notes, Class C Notes and Class D Notes has any obligation to retain the any of the Notes on an ongoing basis.

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

## IMPORTANT NOTICE

**THE NOTES AND THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF THE ISSUER ONLY. NEITHER THE NOTES NOR THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, NEITHER THE NOTES NOR THE RESIDUAL CERTIFICATES WILL BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE SWAP PROVIDER, THE ARRANGER, THE JOINT LEAD MANAGERS, THE SERVICER, THE CASH MANAGER, THE ISSUER ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, HOLDINGS, THE CORPORATE SERVICES PROVIDER, THE BACK-UP SERVICER FACILITATOR, THE AGENT BANK, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS (TOGETHER, THE "RELEVANT PARTIES"). NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES OR THE RESIDUAL CERTIFICATES SHALL BE ACCEPTED BY ANY OF THE RELEVANT PARTIES OR BY ANY PERSON OTHER THAN THE ISSUER.**

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

The RC1 Residual Certificates and the RC2 Residual Certificates will each be represented on issue by a global residual certificate in registered form (a "**Global Residual Certificate**"). The RC1 Residual Certificates and the RC2 Residual Certificates may be issued in definitive registered form under certain circumstances.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER OR ANY RELEVANT PARTY TO SUBSCRIBE FOR OR PURCHASE ANY OF THE RESIDUAL CERTIFICATES, AND NONE OF THE ISSUER OR ANY OF THE RELEVANT PARTIES MAKE ANY REPRESENTATION, WARRANTY OR OTHER ASSURANCE, EXPRESSED OR IMPLIED, TO ANY INVESTOR IN THE RESIDUAL CERTIFICATES (AND NOTHING CONTAINED HEREIN IS, OR SHALL BE RELIED UPON AS A REPRESENTATION, WHETHER AS TO THE PAST, THE PRESENT OR THE FUTURE).

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER 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 REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**")) ("**U.S. PERSONS**") EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF THE SELLER (A "**U.S. RISK RETENTION CONSENT**") AND WHERE SUCH SALE FALLS WITHIN THE EXEMPTION PROVIDED BY SECTION 20 OF THE FINAL RULES PROMULGATED UNDER SECTION 15G OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "**U.S. RISK RETENTION RULES**"), THE NOTES AND THE RESIDUAL CERTIFICATES OFFERED AND SOLD BY THE ISSUER MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "U.S. PERSON" AS DEFINED IN THE U.S. RISK RETENTION RULES ("**RISK RETENTION U.S. PERSONS**"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "U.S. PERSON" IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO, FROM THE DEFINITION OF "U.S. PERSON" IN REGULATION S. EACH PURCHASER OF THE NOTES, THE RESIDUAL CERTIFICATES OR A BENEFICIAL INTEREST THEREIN ACQUIRED IN THE INITIAL SYNDICATION OF THE NOTES OR THE RESIDUAL CERTIFICATES, BY ITS ACQUISITION OF THE NOTES, THE RESIDUAL CERTIFICATES OR A BENEFICIAL INTEREST THEREIN WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT (1) EITHER (i) IS NOT A RISK RETENTION U.S. PERSON OR (ii) IT HAS OBTAINED A U.S. RISK RETENTION CONSENT FROM THE SELLER, (2) IS ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH NOTE, AND (3) IS NOT ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES (INCLUDING ACQUIRING SUCH NOTE THROUGH A NON-RISK RETENTION U.S. PERSON, RATHER THAN A RISK RETENTION U.S. PERSON, AS PART OF A SCHEME TO EVADE THE 10 PER CENT. RISK RETENTION U.S. PERSON LIMITATION IN THE EXEMPTION PROVIDED FOR IN SECTION 20 OF THE U.S. RISK RETENTION RULES).

Each initial and 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 Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MIFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key

information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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.

CCFS accepts responsibility for the information set out in the sections headed "*The Seller and the Servicer*", "*The Loans*", "*Characteristics of the Provisional Portfolio*", "*Characteristics of the United Kingdom Residential Mortgage Market*" and the initial paragraph in the section entitled "*EU Risk Retention Requirements*". To the best of the knowledge and belief of CCFS (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 CCFS as to the accuracy or completeness of any information contained in this Prospectus (other than in the sections referred to above and not specifically excluded therein) or any other information supplied in connection with the Notes or their distribution.

The Cash Manager accepts responsibility for the information set out in the section headed "*The Cash Manager*". To the best of the knowledge and belief of the Cash Manager (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Cash Manager as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to above) or any other information supplied in connection with the Notes or their distribution.

The Issuer Account Bank accepts responsibility for the information set out in the section headed "*Issuer Account Bank*". To the best of the knowledge and belief of the Issuer Account Bank (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Issuer Account Bank as to the accuracy or completeness of any information contained in this Prospectus (other than in the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

The Collection Account Bank accepts responsibility for the information set out in the section headed "*The Collection Account Bank*". To the best of the knowledge and belief of the Collection Account Bank (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Collection Account Bank as to the accuracy or completeness of any information contained in this Prospectus (other than in the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

Each of the Note Trustee and the Security Trustee accepts responsibility for the information set out in the section headed "*The Note Trustee and Security Trustee*". To the best of the knowledge and belief of the Note Trustee and the Security Trustee (having taken all reasonable care to ensure that such is the case), the

information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Note Trustee or the Security Trustee as to the accuracy or completeness of any information contained in this Prospectus (other than in the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

The Swap Provider accepts responsibility for the information set out in the section headed "*The Swap Provider*". To the best of the knowledge and belief of the Swap Provider (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Swap Provider as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to above) or any other information supplied in connection with the Notes or their distribution.

The Corporate Services Provider accepts responsibility for the information set out in the section headed "*The Corporate Services Provider*". To the best of the knowledge and belief of the Corporate Services Provider (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Corporate Services Provider as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to above) or any other information supplied in connection with the Notes or their distribution.

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

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

Payments of interest and principal in respect of the Notes will be subject to any applicable withholding taxes without the Issuer or any other person being obliged to pay additional amounts to compensate Noteholders for the lesser amounts the Noteholders may receive as a result of such withholding.

In this Prospectus all references to "**pounds**", "**sterling**", "**BGP**" and "**£**" are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the "**United Kingdom**" or "**UK**"). References in this Prospectus to "**€**", "**eur**" and "**euro**" are references to the single currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty Establishing the European Communities as amended from time to time.

In this Prospectus all references to the "**FCA**" are to the United Kingdom Financial Conduct Authority and all references to the "**PRA**" are to the United Kingdom Prudential Regulation Authority, which together replaced the Financial Services Authority (the "**FSA**") pursuant to the provisions of the UK Financial Services Act 2012.

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

### **Forward-Looking Statements**

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

### **Description of the Prime Collateralised Securities initiative**

The Prime Collateralised Securities initiative (the "**PCS**") was launched on 14 November 2012 and is administered by Prime Collateralised Securities (PCS) UK Limited (the "**PCS Secretariat**"). In summary, the PCS is an industry-led non-profit initiative which seeks to define and promote certain best practice standards in the asset-backed securities market by identifying standards for certain types of securitisations of quality, transparency, simplicity and liquidity and by providing a process whereby a corresponding label (a "**PCS Label**") for compliant transactions may be sought.

An application has been made to the PCS Secretariat for the Class A Notes to receive the PCS Label and the Seller currently expects that the Class A Notes will receive the PCS Label. However, there can be no assurance that the Class A Notes will receive the PCS Label (either before issuance or at any time thereafter) and, if the Class A Notes do not receive the PCS Label, there can be no assurance that the PCS Label will not be withdrawn from the Class A Notes at a later date. For PCS purposes, the underlying assets are residential

mortgage loans secured over properties located in England, Wales and Scotland and none of the underlying assets are tranching debt securities.

As a private sector initiative, neither the PCS Label nor its provision is endorsed or regulated by any regulatory and/or supervisory authority. The PCS Secretariat is not regulated by any regulator and/or supervisory authority.

In general, it should be noted that the PCS Label operates only as a confirmation that the Class A Notes satisfy (at the time of the award of the PCS Label) certain specific standards referred to in the PCS standards and corresponding eligibility criteria. The PCS Label is not an opinion on the creditworthiness of the Class A Notes or on the level of risk associated with an investment in the Class A Notes. In addition, it is not an indication of the suitability of the Class A Notes for any investor and/or a recommendation to buy, sell or hold the Class A Notes or other securities. It is not clear what significance (if any) may be attributed to the PCS Label by prospective investors and, as such, it is not clear what impact the final determination (be it positive or negative) in respect of the Seller's application (if an application is made in relation to the Class A Notes) for the PCS Label may have with respect to the market value and/or liquidity of the Class A Notes.

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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. 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 and the Residual Certificates***

The Notes and the Residual Certificates 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 or the Residual Certificates 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 amounts due on the Residual Certificates and its operating and administrative expenses will be dependent solely on receipts from the English Loans and the Scottish Loans (the "**Loans**") in the Portfolio, interest earned on the Issuer Accounts (other than amounts representing interest earned on any Swap Collateral), income from any Authorised Investments (other than any amount of income received in respect of the Swap Collateral), the Class A and Class B Liquidity Reserve Fund and the Rated Note Reserve Fund (applied in accordance with the terms of the Cash Management Agreement) and the net receipts under a swap agreement relating to the Swap Transaction between the Issuer and the Swap Provider (the "**Swap 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 the Residual Certificates and/or any other payment obligation of the Issuer under the applicable

Priority of Payments including in respect of any increased margin applicable to the Rated Notes following the Optional Redemption Date. 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 and the Residual Certificates 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 and the Residual Certificates. 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 and the Certificateholders) shall have no further claim against the Issuer or its directors, shareholders, officers or successors in respect of any amounts owing to them which remain unpaid (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 or Certificateholder 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 Revenue Priority of Payments, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as the relevant Class of Notes becomes due and repayable in full in accordance with the Conditions. Any such deferral in accordance with the Conditions will not constitute an Event of Default.

Failure to pay timely 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 Servicer, on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of any Loan and its Related Security in order to discharge all amounts due and owing by the relevant Borrower(s) under such Loan, which may adversely affect payments on the Notes. This risk is mitigated to some extent by certain credit enhancement features which are described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss. Should there be credit losses arising in respect of the Loans, this could have an adverse effect on the ability of the Issuer to make payments of interest and/or principal on the Notes.

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

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers (if, for example, such payment is made after the end of the Collection Period immediately preceding the Interest Payment Date). This risk is addressed in respect of the Rated Notes by the provision of liquidity from alternative sources (including, in the case of the Class A Notes and the Class B Notes, the Class A and Class B Liquidity Reserve Fund Release Amounts and the use of Principal Addition Amounts to the extent of any Senior Expenses Deficit, and, in the case of all of the Rated Notes, the Rated Note Reserve Fund Release Amounts and the Rated Note Reserve Fund Excess Amounts), 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 Z Notes, the Subordinated Notes and the Residual Certificates***

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

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

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, as provided in the Conditions and the Transaction Documents.

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

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

The RC1 Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to RC1 Payments at all times and the RC2 Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to RC2 Payments at all times, and are

subordinate to all payments due in respect of 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, amongst others, the Note Trustee, the Security Trustee, the Issuer Account Bank, the Swap Provider (other than (in respect of the Rated Notes) certain subordinated swap payments), the Servicer, the Cash Manager, the Paying Agents, the Registrar and the Agent Bank) and certain third parties. For further information on the likely costs payable to such Secured Creditors, please see "*Transaction Overview – Fees*" below.

To the extent that the Issuer does not have sufficient funds to satisfy its obligations to all its creditors, the holders of the lower ranking Notes and the Residual Certificates will be the first to see their claims against the Issuer unfulfilled. However, there is no assurance that these subordination provisions will protect the holders of the more senior classes of Notes (including the Most Senior Class of Notes) from all or any risk of loss.

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

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

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

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts, and after applying any Class A and Class B Liquidity Reserve Fund Release Amounts and any Rated Note Reserve Fund Release Amounts, there would be a Senior Expenses Deficit (arising as a result of any inability to pay amounts due in respect of interest on the Class A Notes and the Class B Notes and certain prior ranking payments), the Issuer shall apply Available Redemption Receipts (if any) in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments to cure such Senior Expenses Deficit (such reapplied amounts, "**Principal Addition Amounts**"). Available Redemption Receipts (if any) may only be redirected as Principal Addition Amounts in respect of a Senior Expenses Deficit and, in respect of a deficit in relation to interest on the Class B Notes, may only be applied if the amount debited as a deficiency on the Class B Principal Deficiency Sub-Ledger is less than 50 per cent. of the Principal Amount Outstanding of the Class B Notes. The Issuer will not be able to use Available Redemption Receipts to pay interest on any Class of Notes (other than (a) the Class A Notes and the Class B Notes as set out above, (b) the Class Z Notes on or after the Optional Redemption Date or on or after the Final Redemption Date in accordance with item (f) of the Pre-Enforcement Redemption Priority of Payments or (c) after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Priority of Payments) under any circumstances.

Application of any Available Redemption Receipts as Principal Addition Amounts (in addition to the aggregate of (a) all realised losses on the Loans which are not recovered from the proceeds following the sale of the Property to which such Loan relates or any losses realised by the Issuer on the Loans as a result of the failure of the Collection Account Bank to remit funds to the Issuer and (b) any loss to the Issuer as a result of an exercise of any set-off by any Borrower in respect of its Loan (together, the "**Losses**")) will be recorded first on the Class Z Principal Deficiency Sub-Ledger until the balance of the Class Z Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class Z Notes then outstanding and next on the Class D Principal Deficiency Sub-Ledger until the balance of the Class D Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class D Notes then outstanding, and next on the Class C Principal Deficiency Sub-Ledger until the balance of the Class C Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class C Notes then outstanding, and next on the Class B Principal Deficiency Sub-Ledger until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the

Class B Notes then outstanding, and next on the Class A Principal Deficiency Sub-Ledger until the balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, any principal deficiencies (should they arise) will be recouped from Available Revenue Receipts (including the Rated Note Reserve Fund Excess Amount). Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Enforcement Revenue Priority of Payments, to credit first the Class A Principal Deficiency Sub-Ledger, second the Class B Principal Deficiency Sub-Ledger, third the Class C Principal Deficiency Sub-Ledger, fourth the Class D Principal Deficiency Sub-Ledger and fifth (on any Interest Payment Date other than the Call Option Redemption Date) the Class Z Principal Deficiency Sub-Ledger. In addition, to the extent that the Notes have not been redeemed in full on any Interest Payment Date falling on or after the Optional Redemption Date, an amount equal to the lesser of: (i) all remaining Available Revenue Receipts (if any) after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments; and (ii) the amount required by the Issuer to pay in full all amounts payable under items (a) to (g) (inclusive) of the Pre-Enforcement Redemption Priority of Payments, less any Available Redemption Receipts (other than item (c) of the definition thereof) otherwise available to the Issuer, will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments until the Principal Amount Outstanding of the Rated Notes has been reduced to zero. Any Available Revenue Receipts applied as Enhanced Amortisation Amounts will be recorded as a credit to the Principal Deficiency Ledger. The balance standing to the credit of the Principal Deficiency Ledger as a result of Enhanced Amortisation Amounts (if any) shall be reduced to the extent of any future Losses arising in respect of the Portfolio.

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

- the Available Revenue Receipts, any Class A and Class B Liquidity Reserve Fund Release Amounts, any Rated Note Reserve Fund Release Amounts and Available Redemption Receipts may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes; and
- there may be insufficient Available Revenue Receipts and Available Redemption Receipts to repay principal on the Notes on or prior to the Final Maturity Date of the Notes.

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

The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans and the rate of interest payable in respect of the Notes. Some of the Loans in the Portfolio pay or will pay a fixed rate of interest for an initial period of time. However, the Issuer's liabilities under the Rated Notes are based on LIBOR for the relevant period.

To provide a hedge against the possible variance between:

- (a) the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio; and
- (b) the rate of interest under the Rated Notes being calculated by reference to LIBOR,

the Issuer will enter into a swap transaction (the "**Swap Transaction**") with the Swap Provider under the Swap Agreement on the Closing Date in order to mitigate the risk (see "*Credit Structure – Interest Rate Risk for the Notes*" below).

A failure by the Swap Provider to make timely payments of amounts due under the Swap Transaction will constitute a default under the Swap Agreement. The Swap Agreement provides that the Sterling amounts owed by the Swap Provider on any payment date under the Swap Transaction (which corresponds to an

Interest Payment Date) may be netted against the Sterling amounts owed by the Issuer on the same payment date under the Swap Transaction. Accordingly, if the amounts owed by the Issuer to the Swap Provider on a payment date in respect of the Swap Transaction are greater than the amounts owed by the Swap Provider to the Issuer on the same payment date under the Swap Transaction, then the Issuer will pay the difference to the Swap Provider on such Interest Payment Date in respect of the Swap Transaction; if the amounts owed by the Swap Provider to the Issuer on a payment date are greater than the amounts owed by the Issuer to the Swap Provider on the same payment date in respect of the Swap Transaction, then the Swap Provider will pay the difference to the Issuer on such Interest Payment Date; and if the amounts owed by both parties are equal on a payment date in respect of the Swap Transaction, neither party will make a payment to the other on such Interest Payment Date in respect of the Swap Transaction. To the extent that the Swap Provider defaults in its obligations under the Swap Agreement to make payments to the Issuer in Sterling, on any payment date (which corresponds to an Interest Payment Date), under the Swap Transaction the Issuer will be exposed to the possible variance between various fixed rates payable on the Loans in the Portfolio and LIBOR.

The Issuer pays a fixed amount which is equal to the notional amount of the Swap Transaction multiplied by a fixed rate and the relevant day count fraction. The fixed rate applicable to the amounts payable by the Issuer is not intended to be an exact match of the interest rates that the Issuer receives in respect of the Fixed Rate Loans in the Portfolio. Furthermore, the notional amount of the Swap Transaction will be amortised as set out in a pre-agreed table to the Swap Transaction. The rate of amortisation will be based on the expected repayment profile of the Fixed Rate Loans assuming a 0% constant prepayment rate. However, the prepayment rate of the Fixed Rate Loans may be higher than the assumed constant prepayment rate. In such circumstances, there would be a mismatch between the notional amount of the Swap Transaction and the outstanding principal balance of the Fixed Rate Loans. Since (i) the fixed rate under the Swap Transaction may not match the interest rates applicable to the Fixed Rate Loans in the Portfolio; and/or (ii) the notional amount of the Swap Transaction may be higher than the outstanding principal balance of the Fixed Rate Loans, there may be circumstances in which the amount payable by the Issuer under the relevant Swap Transaction exceeds the amount that the Issuer receives in respect of the Fixed Rate Loans in the Portfolio. This may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Secured Creditors.

The Issuer has not entered into any interest rate swap or other hedging transaction in relation to Loans other than Fixed Rate Loans, and as a result there is no hedge in respect of the risk of any variances in the Floating Mortgage Rate (being referable to LIBOR, fixed on or around the same reset dates as payments under the Notes) charged on any Loans in the Portfolio and interest set by reference to the three month LIBOR (the "**Reference Rate**") on the Rated Notes which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Secured Creditors. As such, the Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of such Loans and the rate of interest payable in respect of the Notes. However, because LIBOR is used in determining the Floating Mortgage Rate charged on Loans in respect of which the interest payable thereon is set by reference to LIBOR and the Reference Rate in respect of the Rated Notes is reset on or around the same date, the risk of such mismatch is limited.

#### ***Termination payments under the Swap Transaction***

Subject to the following, the Swap Agreement will provide that, upon the occurrence of certain events, the Swap Transaction may terminate and a termination payment by either the Issuer or the Swap Provider may be payable. The amount of such payment may reflect, among other things, the cost of entering into a replacement transaction at the time and third party market data such as rates, prices, yields and yield curves, or similar information derived from internal sources of the party making the determination. Any termination payment due by the Issuer (other than (where applicable) in respect of any Hedge Subordinated Amounts), to the extent such termination payment is not satisfied by amounts standing to the credit of the Swap Collateral Account which are available to meet such termination payment in accordance with the Swap Collateral Account Priority of Payments, will rank prior to payments in respect of the Notes. As such, if any

termination amount is payable and is not satisfied by amounts applied in accordance with the Swap Collateral Account Priority of Payments, payment of such termination amounts may lead to a shortfall in amounts available to pay interest and principal on all the Notes.

Any additional amounts required to be paid by the Issuer following termination of the Swap Transaction (including any extra costs incurred in entering into a replacement swap or swaps that are not otherwise provided for) to the extent not satisfied by amounts applied in accordance with the Swap Collateral Account Priority of Payments will also rank prior to payments in respect of the Notes. 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 (which has not been revoked), interest and principal on the Notes.

No assurance can be given as to the ability of the Issuer to enter into one or more replacement swap transactions, or if one or more replacement swap transactions are entered into, as to the ultimate creditworthiness of the Swap Provider for the replacement swap transactions.

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

The yield to maturity on the Notes will depend on, among other things, the amount and timing of payment of principal and interest on the Loans. Prepayments on the Loans may result from early repayment of the Loans by the relevant Borrower (whether through refinancing or otherwise), sales of Properties by Borrowers (voluntarily or as a result of enforcement proceedings under the relevant Mortgages), as well as the receipt of proceeds under any applicable insurance policies. The yield to maturity of the Notes may be adversely affected by, among other things, a higher or lower than anticipated rate of prepayments on the Loans.

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

Payments and prepayments of principal on the Loans will be applied, *inter alia*, to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Enforcement Redemption Priority of Payments (see "*Cashflows*" below).

Pursuant to the Call Option, the Option Holder may, subject to certain conditions, purchase all (but not some) of the Loans and their Related Security comprising the Portfolio at the Optional Purchase Price on any Interest Payment Date falling on or after (a) the Optional Redemption Date, (b) any Collection Period Start Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date or (c)

a change in tax law that results in the Issuer or the Swap Provider being required to make a deduction or withholding for or on account of tax or the occurrence of certain illegality events.

The Issuer shall redeem all of the Notes on the Interest Payment Date on which the sale of the Loans and their Related Security comprising the Portfolio to the Beneficial Title Transferee pursuant to the Call Option occurs. This may adversely affect the yield to maturity on the Notes. Following the exercise of the Call Option, the application of the Optional Purchase Price as Available Revenue Receipts and payment of the Optional Purchase Collections to the Beneficial Title Transferee pursuant to the Deed Poll, the Residual Certificates shall be cancelled and no more RC1 Payments or RC2 Payments will be made by the Issuer.

Other than in relation to an enforcement of the Security or the repurchase of a Loan and its Related Security by the Seller pursuant to the Mortgage Sale Agreement, the Issuer is not permitted to sell the Portfolio to anyone other than the Option Holder and in no circumstances (including following the occurrence of an illegality event or a tax event) is the Option Holder required to purchase the Portfolio. As such, no assurance can be given that the Notes will be redeemed in full prior to their Final Maturity Date.

See the section entitled "*Early Redemption of the Rated Notes*" below.

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

There is currently a limited secondary market for the Notes, and no assurance is provided that an active and liquid secondary market for the Notes will develop further. None of the Notes have been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set out under "*Subscription and Sale*" and "*Transfer Restrictions and Investor Representations*". To the extent that a secondary market exists or develops further, it may not continue for the life of the Notes or it may not provide Noteholders with liquidity of investment with the result that a Noteholder may not be able to find a buyer to buy its notes readily or at prices that will enable the Noteholder to realise a desired yield. Any investor in the Notes must be prepared to hold their Notes until the Final Maturity Date.

The secondary market for mortgage-backed securities similar to the Notes has at times experienced limited liquidity resulting from reduced investor demand for such securities. Limited liquidity in the secondary market may have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors.

Whilst central bank schemes such as, amongst others, the Bank of England's Sterling Monetary Framework, the Funding for Lending Scheme, the Term Funding Scheme or the European Central Bank's liquidity scheme provides an important source of liquidity in respect of eligible securities, further restrictions in respect of the relevant eligibility criteria for eligible collateral which applies and will apply in future are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities. Neither the Issuer nor the Seller gives any representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue or at any time prior to redemption in full, satisfy all or any of the requirements for such central bank schemes however it is intended that the Class A Notes will be LCR eligible. Any potential investor in the Notes should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute eligible collateral for such central bank schemes.

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

The ratings assigned to the Rated Notes by both S&P and Moody's address, *inter alia* (a) the likelihood of full and timely payment to the holders of the Class A Notes, the Class B Notes and, if no Class A Notes or Class B Notes remain outstanding, the Most Senior Class of Notes, of all payments of interest on each Interest Payment Date and (b) the likelihood of ultimate payment to the Rated Noteholders of principal in relation to the Rated Notes on or prior to the Final Maturity Date. The ratings assigned to the Rated Notes

by Moody's also address, *inter alia*, the expected loss to a Noteholder in proportion to the Principal Amount Outstanding on the Closing Date of the Class of Notes held by such Noteholder on the Final Maturity Date.

The Class Z Notes and the Subordinated 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 Swap Provider and/or the Issuer Account Bank) in the future so warrant. See also "*Change of counterparties*" below.

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

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

As highlighted above, the ratings assigned to the Rated Notes by each Rating Agency are based on, among other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings or counterparty risk assessment of the Issuer Account Bank and the Swap Provider. In the event one or more of these transaction parties are downgraded below the requisite ratings trigger, there can be no assurance that a replacement to that counterparty will be found which has the ratings required to maintain the then current ratings of the Rated Notes. If a replacement counterparty with the requisite ratings cannot be found, this is likely to have an adverse impact on the rating of the Rated Notes and, as a consequence, the resale price of the Rated Notes in the market and the prima facie eligibility of the Rated Notes for use in certain liquidity schemes established by, *inter alios*, the Bank of England.

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

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

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

Any such Rating Agency Confirmation may or may not be given at the sole discretion of each Rating Agency. Certain Rating Agencies have indicated that they will no longer provide Rating Agency

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

Where the Transaction Documents allow the Note Trustee or the Security Trustee to seek a Rating Agency Confirmation and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer and (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts, then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by two directors certifying and confirming that each of the events in sub-paragraphs (i) (A) or (B) and (ii) has occurred, the Issuer having sent a written request to each Rating Agency.

If no such Rating Agency Confirmation is forthcoming within 30 days of such a request and two directors of the Issuer have certified the same in writing to the Security Trustee (an "**Issuer Certificate**"), the Security Trustee shall be entitled (but not obliged) to assume from a written certificate of the Cash Manager to the Note Trustee and Security Trustee (a "**Cash Manager Certificate**") that such proposed action:

- (a) (while any of the Rated Notes remain outstanding) has been notified to the Rating Agencies;
- (b) would not adversely impact on the Issuer's ability to make payment when due in respect of the Notes;
- (c) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security; and
- (d) (while any of the Rated Notes remain outstanding) the then current rating of the Rated Notes would not be reduced, qualified, adversely affected or withdrawn,

upon which confirmation from the Rating Agencies, Issuer Certificate and/or Cash Manager Certificate, the Note Trustee and the Security Trustee shall be entitled to rely absolutely without liability to any person for so doing. In being entitled to take into account any such confirmation from the Rating Agencies, it is agreed and acknowledged by the Note Trustee and the Security Trustee that this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Security Trustee, the Note Trustee, the Noteholders or any other person or create any legal relations between each of the Rating Agencies and the Security Trustee, the Note Trustee, the Noteholders or any other person whether by way of contract or otherwise.

Where a Rating Agency Confirmation is a condition to any action or step under any Transaction Document and it is deemed to be modified as a result of a Non-Responsive Rating Agency not having responded to the



relevant request from the Issuer within 30 days, there remains a risk that such Non-Responsive Rating Agency may subsequently downgrade, qualify or withdraw the then current ratings of the Rated Notes as a result of the action or step. Such a downgrade, qualification or withdrawal to the then current ratings of the Rated Notes may have an adverse effect on the value of the Rated Notes.

***Withdrawal of or failure to subscribe to the PCS Label for the Class A Notes may impact the market value of the Class A Notes***

An application has been made to the PCS Secretariat for the Class A Notes to receive the PCS Label and the Seller currently expects that the Class A Notes will receive the PCS Label. However, there can be no assurance that the Class A Notes will receive the PCS Label (either before issuance or at any time thereafter) and, if the Class A Notes do not receive the PCS Label, there can be no assurance that the PCS Label will not be withdrawn from the Class A Notes at a later date.

The PCS Label is not an opinion on the creditworthiness of the relevant securities or on the level of risk associated with an investment on the relevant securities. In addition, it is not an indication of the suitability of the relevant securities for any investor and/or a recommendation to buy, sell or hold securities. It is not clear what significance (if any) may be attributed to the PCS Label by prospective investors and, as such, it is not clear what impact (i) the final determination (be it positive or negative) in respect of any application by the Seller (if any further application is made in relation to the Notes) for the PCS Label (ii) any decision by the Seller not to maintain the PCS Label for any notes to which it has been awarded or (iii) the withdrawal of the PCS Label in respect of any notes by the PCS Secretariat may have with respect to the market value and/or liquidity of the Notes. See "*Important Notice - Description of the Prime Collateralised Securities initiative*" section above.

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

Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding (or, in the case of a Class of Residual Certificates, 25 per cent. in number of the holders of such Class then in issue) of the Most Senior Class or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class outstanding or (in the case of a Class of Residual Certificates) 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 should have been directed to do so by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding (or, in the case of a Class of Residual Certificates, 25 per cent. in number of the holders of such Class then in issue) of the Most Senior Class 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, the AIFM Regulation and the Solvency II 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, neither the Note Trustee nor the Security Trustee will be under any obligation to monitor the compliance by the Seller with such covenant and will not be under any obligation to take any action in relation to non-compliance with such covenant (unless otherwise directed by the Secured Creditors (including the Noteholders) in accordance with the Transaction Documents).

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

As of the Optional Redemption Date, the margin on the Rated 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 Optional Redemption Date will be increased. In such circumstances the Issuer may not have sufficient funds to pay all amounts of interest (including any increased Step-Up Margin on the Rated Notes).

## **RIGHTS OF NOTEHOLDERS, CERTIFICATEHOLDERS AND SECURED CREDITORS**

### ***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 (other than any Secured Creditors which are party to the relevant Transaction Document), to (a) except in the case of a Basic Term Modification, any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions, the Residual Certificates Conditions or any of the Transaction Documents which is not, in the opinion of the Note Trustee, or, as the case may be, the Security Trustee, materially prejudicial to the interests of the Noteholders or, if there are no Notes outstanding, the Certificateholders or (b) any modification which, in the opinion of the Note Trustee, or, as the case may be, the Security Trustee, is of a formal, minor or technical nature or to correct a manifest error. The Conditions and Residual Certificates Conditions also specify that certain categories of amendments (including changes to majorities required to pass resolutions or quorum requirements) would be classified as Basic Terms Modifications. Investors should note that a Basic Terms Modification is required to be sanctioned by an Extraordinary Resolution of the holders of the relevant affected Class or Classes of Notes and/or Residual Certificates then in issue, as applicable which are affected by such Basic Terms Modifications. The Conditions and the Residual Certificates Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, shall subject to the terms thereof, without the consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors (other than any Secured Creditors which are party to the relevant Transaction Document), agree (and where applicable direct the Security Trustee to agree) to any modification to the Conditions or the Residual Certificates Conditions requested by the Issuer in order for it to comply with any requirements which apply to it under Regulation (EU) 648/2012, commonly known as the European Market Infrastructure Regulation ("**EMIR**"). The Note Trustee and/or the Security Trustee may also, without the consent of the Noteholders or the Certificateholders, if it is of the opinion that such determination will not be materially prejudicial to the

interests of the Noteholders or if no Notes are outstanding, the Certificateholders, at any time authorise or waive any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Conditions or the Residual Certificates Conditions.

Further, the Note Trustee or, as the case may be, the Security Trustee may also be obliged, in certain circumstances, to agree to amendments to the Conditions and the Residual Certificates Conditions and/or the Transaction Documents for the purpose of (i) complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, (ii) complying with certain risk retention legislation, regulations or official guidance in relation thereto, (iii) enabling the Notes to be (or to remain) listed on the Irish Stock Exchange, (iv) enabling the Issuer or any of the other Transaction Parties to comply with FATCA (or any voluntary agreement entered into which a taxing authority in relation thereto) and (v) complying with any changes in the requirements of the CRA Regulation after the Closing Date (each a "**Proposed Amendment**"), without the consent of the Noteholders or Certificateholders.

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

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, the such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 13 (Meetings of Noteholders Modification, Waiver and Substitution). 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, 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.

### ***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 Post-Enforcement Priority of Payments.

As a result, holders of Notes other than the Most Senior Class 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 where there is a conflict of interest.

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, shall take effect for any purpose while the Most Senior Class remains outstanding unless such Extraordinary Resolution shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class or the Note Trustee and/or Security Trustee is of the opinion it would not be materially prejudicial to the interests of the holders of the Most Senior Class.

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, any holding company as defined in section 1159 of the Companies Act 2006 ("**Holding Company**") of the Seller 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 or in issue, except where all of the Notes and/or the Residual Certificates of any Classes are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Classes of Notes and/or Residual Certificates (the "**Relevant Class**") shall be deemed to remain outstanding or in issue (as the case may be) except that, if there is any other Class of Notes and/or Residual Certificates ranking (with regard to the definition of Most Senior Class) *pari passu* with, or junior to, the Relevant Class and one or more Relevant Persons are not the beneficial owners of all the Notes and/or Residual Certificates of such Class, then the Relevant Class shall be deemed not to remain outstanding and provided that in relation to a matter relating to a Basic Terms Modification any Notes or Residual Certificates which are for the time being held by or on behalf of or for the benefit of a Relevant Person, in each case as beneficial owner, shall be deemed to remain outstanding or in issue, as applicable.

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

So long as any of the Notes are outstanding, except where expressly provided otherwise, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the Certificateholders or the other Secured Creditors as regards all powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee, subject to the provisions of the Trust Deed, Condition 13.5 (*Modification to the Transaction Documents*) and 13.6 (*Additional Rights of Modification*) and Residual Certificates Condition 12.5 (*Modification to the Transaction Documents*) and 12.6 (*Additional Rights of Modification*).

#### ***Conflicts of Interest***

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

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

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

Prospective investors should be aware that:

- (i) each Joint Lead Managers Related Person in the course of its business (including in respect of interests described above) may act independently of any other Joint Lead Managers Related Person or Relevant Party;
- (ii) to the maximum extent permitted by applicable law, the duties of each Joint Lead Managers Related Person in respect of the Notes and/or Residual Certificates are limited to the relevant contractual obligations set out in the Transaction Documents (if any) and, in particular, no advisory or fiduciary duty is owed to any person. No Joint Lead Managers Related Person shall have any obligation to account to the Issuer, any Relevant Party or any Noteholder for any profit as a result of any other business that it may conduct with either the Issuer or any Relevant Party;
- (iii) a Joint Lead Managers Related Person may have or come into possession of information not contained in this Prospectus that may be relevant to any Noteholder or Certificateholder or to any decision by a potential investor to acquire the Notes or Residual Certificates and which may or may not be publicly available to potential investors ("**Relevant Information**");
- (iv) to the maximum extent permitted by applicable law no Joint Lead Managers Related Person is under any obligation to disclose any Relevant Information to any other Joint Lead Managers Related Person, to any Relevant Party or to any potential investor and this Prospectus and any subsequent conduct by a Joint Lead Managers Related Person should not be construed as implying that such Joint Lead Managers Related Person is not in possession of such Relevant Information; and
- (v) each Joint Lead Managers Related Person may have various potential and actual conflicts of interest arising in the ordinary course of its businesses, including in respect of the interests described above. For example, a Joint Lead Managers Related Person's dealings with respect to a Note and/or a Residual Certificate, the Issuer or a Relevant Party, may affect the value of a Note or Residual Certificate.

These interests may conflict with the interests of a Noteholder or Certificateholder and the Noteholder or Certificateholder may suffer loss as a result. To the maximum extent permitted by applicable law, a Joint Lead Managers Related Person is not restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents, the Notes, the Residual Certificates, 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, the Certificateholders, and the Joint Lead Managers Related Persons in so doing so act in its own commercial interests and without notice to, and without regard to, the interests of any such person.

## **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 they are assignable. The Seller has, pursuant to the Mortgage Sale Agreement, undertaken, where appropriate, to either instigate action against such solicitor or valuer, provided that the Issuer first indemnifies the Seller, 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 Loan. Any failure by or inability of the Seller 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.

### *Seller to initially retain legal title to the Loans and risks relating to set-off*

The sale by the Seller to the Issuer of the English Loans and their Related Security (until legal title is conveyed) takes effect in equity only. The sale by the Seller to the Issuer of the Scottish Loans and their Related Security is given effect to by a Scots law governed declaration of trust by the Seller for the benefit of the Issuer (the "**Scottish Declaration of Trust**"). The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales. In each case this means that legal title to the Loans and their Related Security in the Portfolio will remain with the Seller 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 (i) will not apply to the Land Registry of England and Wales (the "**Land Registry**") to register or record its equitable interest in the English Mortgages and (ii) will not apply to the General Register of Sasines or Land Register of Scotland (as appropriate) (together the "**Registers of Scotland**") to register or record its beneficial interest in the Scottish Mortgages pursuant to the Scottish Declaration of Trust.

Further, unless (i) notice of the assignment was given to the Borrowers in respect of the English Loans and their Related Security, and (ii) an assignation of the Scottish Loans and their Related Security is effected by the Seller to the Issuer and notice thereof is then given to the Borrowers in respect of the Scottish Loans and their Related Security, equitable or independent set-off rights may accrue in favour of any Borrower against his or her obligation to make payments to the Seller under the relevant Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights any applicable Borrower may become entitled to after the transfer. Where notice of the assignment or assignation is given to any Borrower, however, some rights of set-off (being those rights that are not connected with or related to the relevant Loan) may not arise after the date notice is given. For the purposes of this Prospectus, references herein to "**set-off**" shall be construed to include analogous rights in Scotland. For further information on the effects of set-off in relation to the Portfolio, see below "*Set-off may adversely affect the value of the Portfolio or any part thereof*".

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

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

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

For so long as the Issuer does not have legal title to the Loans and their Related Security, the Seller 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 Loans and their Related Security and the Issuer will have power of attorney to act in the name of the Seller, in respect of which please see the section entitled "*The Loans – Characteristics of the Loans – Title to the Portfolio*" for further details.

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

As described above, the sale by the Seller to the Issuer of the English Loans and their Related Security will be given effect by an assignment and the sale of the Scottish Loans and their Related Security being given effect under a Scottish Declaration of Trust. As a result, legal title to the Loans and their Related Security sold by the Seller to the Issuer will remain with the Seller until the occurrence of a Perfection Event under the terms of the Mortgage Sale Agreement. Therefore, the rights of the Issuer may be subject to certain set-off rights which the relevant Borrower has against the Seller.

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 Loan. Generally, an independent right of set-off could include, but is not limited to, claims by a Borrower for unpaid wages, pension liabilities or balances standing to the credit of savings and deposit accounts (though the Seller will represent and warrant that the Borrowers are not employees of the Seller). The Seller is a deposit-taking institution and is authorised to hold client money as at the date of this Prospectus. Should a Borrower hold a deposit account with the Seller, the Borrower, in the event of the insolvency of the Seller, may be able to set-off any amounts held in the relevant deposit account against amounts owed by the Borrower pursuant to the Loan. The giving of notice to the Borrower would crystallise the Borrower's entitlement to set-off amounts as of the date of receipt of the relevant notice.

Banks, insurance companies and other financial institutions in the UK (such as the Seller) are subject to the Financial Services Compensation Scheme (the "FSCS") which gives customers protection where an authorised firm is unable or is likely to be unable to meet claims against it because of its financial circumstances. The majority of deposits made by Borrowers with the Seller will be covered by the FSCS which gives the Borrower protection up to the FSCS limit (as at the date of this Prospectus being £85,000). As such, in the event that the Seller is unable to meet a claim from a Borrower over and above the FSCS limit, set-off rights of such Borrower, despite the giving of notice to the Borrowers of the assignment or, as applicable, assignation of the Loans and their Related Security to the Issuer, may apply. In order to mitigate this risk, the Seller will be required pursuant to the terms of the Mortgage Sale Agreement to promptly notify the Servicer, Issuer and Security Trustee (with a copy to the Rating Agencies) on becoming aware of any loan that is a Significant Deposit Loan, (being a Loan in respect of which the relevant Borrower has a deposit account with the Seller for an amount in excess of £85,000 (or such other amount as set by the FSCS from time to time) before notice of the transfer of legal ownership of that Borrower's Loan to either the Issuer or another third party is given) and will be required to repurchase any Loans in the Portfolio that are Significant Deposit Loans as at the immediately preceding Collection Period Start Date.

Equitable set-off rights may arise in connection with a transaction connected with the Loan. An equitable right of set-off could arise where the Seller has failed to make a Further Advance to the Borrower having

made a commitment to do so, where the Seller has agreed to Port a Loan or where the Seller is in breach of contract under the relevant Loan. The Seller will represent and warrant in the Mortgage Sale Agreement that the terms and conditions of the Loans do not require the Seller to agree to any Further Advance or any Port.

Once notice has been given to the Borrowers of the assignment or assignation of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller 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 Loan) will not be affected by that notice and will continue to exist.

The relevant Borrower may set off any claim for damages arising from the Seller's breach of contract against the Seller's (and, as equitable assignee of or holder of the beneficial interest in the Loans and their Related Security, the Issuer's) claim for payment of principal and/or interest under the relevant Loan as and when it becomes due. These set-off claims will constitute transaction set-off, as described above.

The amount of any such claim against the Seller for equitable set-off will, in many cases, be the cost to the Borrower of finding an alternative source of funds. For example in the case of a failure by the Seller to make a Further Advance having become bound to do so, the Borrower could set off against the Issuer any additional cost of funding incurred in borrowing an amount equal to the relevant Further Advance. In addition, where the Seller has failed to effect the Port, having committed to do so, the Borrower could set off against the Issuer the difference between the rate of interest on the Loan and the interest rate at which the Borrower could borrow money in the market on the new property. However, the Seller will represent and warrant in the Mortgage Sale Agreement that the terms and conditions of the Loans do not require the Seller to agree to any Further Advance or any Port and the Servicer will undertake in the Servicing Agreement with the Issuer and the Security Trustee that it will not offer to any Borrower nor will it agree to any request from any Borrower for a Further Advance, Port or Product Switch in relation to a Loan and its Related Security. In addition to the difference in the cost of borrowing, the relevant Borrower could also set off any direct losses arising from the Seller's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

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

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

### *Characteristics of the Portfolio*

The information in the section headed "*Characteristics of the Provisional Portfolio*" has been extracted from the systems of the Seller as at 31 May 2017 (the "**Portfolio Reference Date**"). The Provisional Portfolio has been selected from a pool of the Seller's residential loans using a system containing defined data on each of the qualifying loans. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that the Seller will make in the Mortgage Sale Agreement in relation to the Loans. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. The loans selected for the Provisional Portfolio are representative of the Seller's portfolio of residential loans meeting the selection criteria which the Seller holds immediately prior to the sale of the Portfolio. As at the Portfolio Reference Date, the Provisional Portfolio comprised of 1,856 loans with an



aggregate current balance of £320,048,385.84. Having removed any loans which were no longer eligible or had been redeemed in full as at the Cut-Off Date, the Seller then randomly selected a pool (the "**Transaction Portfolio**") from the Provisional Portfolio from which an independent third party has randomly selected loans having an aggregate nominal value equal to at least 5 per cent. of the nominal value of the Portfolio as at the Cut-Off Date (the "**Retained Loans**"). The Portfolio that will be sold to the Issuer on the Closing Date comprises all loans in the Transaction Portfolio other than the Retained Loans. The Retained Loans and their Related Security will be held by the Seller in compliance with paragraph (c) of Article 405(1) of the CRR, paragraph (c) of Article 51(1) of the AIFM Regulation and paragraph (c) of Article 254(2) of the Solvency II Regulation (see "*EU Risk Retention Requirements*" for further information). The characteristics of the Portfolio will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments and redemptions of loans and the removal of any loans from the Portfolio that do not comply with the Loan Warranties as at the Cut-Off Date. Neither the Seller nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Portfolio between the Portfolio Reference Date and the Closing Date.

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

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

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

### ***Changes or uncertainty in respect of LIBOR may affect value of Notes (other than the Class Z Notes and Subordinated Notes) and the payment of interest thereunder***

The London Inter-Bank Offering Rate ("**LIBOR**") has been subject to review and are currently subject to various investigations regarding whether the banks that contributed to the British Banker's Association (the "**BBA**") in connection with the calculation of daily LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR for their own benefit. As a result of the review work already undertaken and of the investigations described above, LIBOR is currently the subject of proposals

for reform at both a UK and EU level and certain reforms have already been adopted, including the replacement of the BBA and ICE Benchmark Administration Limited (the "IBA") as the new administrator of LIBOR.

Investors should be aware that: (a) actions by the IBA as the new administrator of LIBOR, regulators or law enforcement agencies may affect LIBOR (and/or the determinations thereof) in unknown ways, which could adversely affect the value of the Notes (other than the Class Z Notes and Subordinated Notes), (b) any uncertainty with respect to LIBOR may adversely affect liquidity of such Class of Notes and their market value and (c) it is not possible to ascertain at this time whether any reforms to LIBOR would have the effect of a sudden or prolonged increase or decrease in LIBOR or whether such reforms could have an adverse impact on the value of the Notes (other than the Class Z Notes and Subordinated Notes) and the payment of interest thereunder.

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

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

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their properties to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment rates and higher losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and/or principal on the Notes.

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

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

The Issuer cannot guarantee that the value of a property will remain at the same level as on the date of origination of the related Loan. A fall in property prices resulting from the deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem any outstanding loan secured on such property. If the value of the Related Security backing the Loans is reduced this may ultimately result in losses to Noteholders if the Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes.

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

### ***Geographic Concentration Risks***

Loans in the Portfolio may also be subject to geographic concentration risks within certain regions of the United Kingdom. To the extent that specific geographic regions within the United Kingdom have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in the United Kingdom, a concentration of the Loans in such a region may be expected to exacerbate the risks relating to the Loans described in this section. Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of the Borrowers in that region or in the region that relies most heavily on that industry. Any natural disasters in a particular region may reduce the value of affected Properties. This may result in a loss being incurred upon the sale of such Properties. These circumstances could affect receipts on the Loans and ultimately result in losses on the Notes. For an overview of the geographical distribution of the Loans in the Provisional Portfolio, see "*Characteristics of the Provisional Portfolio – Geographical distribution*".

### ***Insurance Policies***

The Mortgage Conditions require borrowers to have buildings insurance for the relevant Property. However, it will be difficult in practice for the Servicer and/or the Issuer to determine whether the relevant Borrower has valid insurance in place at any time. The Issuer will also have the benefit of Properties in Possession Cover, Lender Interest Only Cover and Failure to Insure Cover, which will give the Issuer certain protection should the relevant Borrower not have any valid insurance in place. However, no assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts or contingent insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to make payment of interest and/or principal in respect of the Notes.

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

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

Neither the Note Trustee, the Security Trustee, the Arranger, the Joint Lead Managers nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller. As such, the Loans may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date which breach is not remedied in accordance with the Mortgage Sale Agreement, will be to require the Seller to repurchase any relevant Loan and its Related Security in accordance with the repurchase provisions in the Mortgage Sale Agreement. However, there can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. 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, for whatever reason, fails to meet such obligations. Furthermore, although the Seller and the Servicer have undertaken, pursuant to the Mortgage Sale Agreement and Servicing Agreement, to notify the Issuer (and, if applicable, the Servicer) upon becoming aware of a material breach of any Loan Warranty, there shall be no obligation on the part of the Seller or the Servicer to monitor compliance of the Loans with the Loan Warranties following the Closing Date. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

## **SERVICING AND THIRD PARTY RISK**

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

The Issuer is also a party to contracts with a number of other third parties who have agreed to perform services in relation to the Issuer and/or Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Issuer Account Bank has agreed to provide the Issuer Accounts to the Issuer pursuant to the Bank Account Agreement, the Swap Provider has agreed to enter into the Swap Transaction pursuant to the terms of the Swap Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing Agreement, the Back-Up Servicer Facilitator has agreed to provide back-up servicer facilitation services in relation to the Portfolio pursuant to the Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed or if such a party resigns without a sufficiently experienced substitute or any substitute being appointed in their place promptly thereafter, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

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

### ***The Servicer***

CCFS will be appointed by the Issuer as Servicer to service the Loans and their Related Security. If the Servicer breaches the terms of the Servicing Agreement, then (prior to the delivery of an Enforcement Notice and with the prior written consent of the Security Trustee) the Issuer or (after delivery of an Enforcement Notice) the Security Trustee will be entitled to terminate the appointment of the Servicer in accordance with the terms of the Servicing Agreement and the Issuer and the Seller shall use their reasonable endeavours (with the assistance of the Back-Up Servicer Facilitator) to appoint a substitute servicer in its place whose appointment is approved by the Security Trustee.

The aggregate liability of the Servicer in respect of any claim arising out of or in connection with the Servicing Agreement shall, except in respect of the Servicer's fraud, Gross Negligence or wilful default or that of its officers, directors or employees in the performance of its obligations under the Servicing Agreement, (i) be limited to £1,500,000 for so long as the Servicer is appointed under the Servicing Agreement and (ii) not include any claim for any increased costs and expenses, loss of profit, business, contracts, revenues or anticipated savings or for any special indirect or consequential damage of any nature whatsoever.

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

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

If a Servicer Termination Event occurs, there can be no assurance that a substitute servicer with sufficient experience of servicing the Loans and their Related Security would be found who would be willing and able to service the Loans and their Related Security on the terms, or substantially similar terms, set out in the Servicing Agreement. Further, it may be that the terms on which a substitute servicer may be appointed are substantially different from those set out in the Servicing Agreement and the terms may be such that the Noteholders may be adversely affected. In addition, as described below, any substitute servicer will be required, *inter alia*, to be authorised under the Financial Services and Markets Act 2000 (the "FSMA") in order to service Loans and their Related Security that constitute Regulated Credit Agreements under the FSMA. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes. Such risk is mitigated by the provisions of the Servicing Agreement pursuant to which the Back-Up Servicer Facilitator, in certain circumstances, will assist the Issuer in appointing a substitute servicer.

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

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

### ***Change of counterparties***

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Issuer Account Bank and the Swap Provider) 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/or long term unguaranteed and unsecured debt ratings, the short term deposit rating, and/or long term counterparty risk assessment ascribed to such party by the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria set out in the relevant Transaction Documents and as described in this Prospectus, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable ratings criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. In addition, it may not be possible to find an entity with the ratings prescribed in the relevant Transaction Document who would be willing to act in the role. This may reduce amounts available to the Issuer to make payments of interest and principal on the Rated Notes and/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 REGULATORY CONSIDERATIONS IN RESPECT OF THE PORTFOLIO**

### ***Regulated Mortgage Contracts***

In the UK, regulation of residential mortgage business under the FSMA came into force on 31 October 2004 (the "**Regulation Effective Date**"). Residential mortgage lending under the FSMA is regulated by the FCA.

Entering into, arranging or advising in respect of, and administering, Regulated Mortgage Contracts, and agreeing to do any of those activities, are (subject to certain exemptions) regulated activities under the FSMA and the FSMA (Regulated Activities) Order 2001 (as amended) (the RAO) requiring authorisation and permission from the FCA.

The original definition of a Regulated Mortgage Contract was such that if a mortgage contract was entered into on or after the Regulation Effective Date, it was a Regulated Mortgage Contract under the RAO if: (i) the lender provides credit to an individual or to trustees; and (ii) the obligation of the borrower to repay is secured by a first legal mortgage (or Scottish first ranking standard security) on land (other than timeshare accommodation) in the United Kingdom, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person. There have been incremental changes to the definition of Regulated Mortgage Contract over time, including, from 21 March 2016, the removal of the requirement for the security to be first ranking and the extension of the territorial scope to cover property in the EEA rather than just the UK.

The current definition of a Regulated Mortgage Contract is such that if a mortgage contract is entered into on or after 21 March 2016, it will be a Regulated Mortgage Contract if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions): (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage or (as applicable) a standard security on land in the EEA, at least 40% of which is used, or is intended to be used, in the case of credit provided to an individual, as or in connection with a dwelling; or (in the case of credit provided to a trustee who is not an individual), as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person (broadly the person's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse).

Credit agreements which were originated before 21 March 2016, which were regulated by the CCA, and that would have been Regulated Mortgage Contracts had they been entered into on or after 21 March 2016 will be "consumer credit back book mortgage contracts" and are also therefore Regulated Mortgage Contracts.

If requirements as to the authorisation of lenders and brokers involved in the origination of a Regulated Mortgage Contract 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 Seller is required to hold, and holds, authorisation and permission to enter into and to administer Regulated Mortgage Contracts. Subject to any exemption, brokers are required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts.

The Issuer is not and does not propose to be an authorised person under the FSMA with respect to Regulated Mortgage Contracts and related activities. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract or a regulated credit agreement. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FCA authorisation and permission under the FSMA. If such administration 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 administrator having the required authorisation and permission under the FSMA. In addition, no variation may be made to the Loans and no further advance or product switch has been or will be made in relation to a loan, where this would result in the Issuer arranging, 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. Pursuant to the Servicing Agreement, the Servicer administers the loans and the Servicer has the requisite FSMA authorisation and permission to enable it to undertake such activities.

The regime under the FSMA regulating financial promotions restricts the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as the Seller) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) 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. Failure by the Seller to comply with the financial promotion regime may render the Loans unenforceable and adversely affect the Issuer's ability to make payments on the Notes.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("MCOB"), which sets out the FCA's rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, inter alia, certain pre-origination matters such as financial promotion and pre-application illustrations, pre contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. Further rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, also 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 made under the FSMA, and may set off the amount of the claim against the amount owing by the borrower under a loan or any other loan that the borrower has taken with that authorised person. Any such set-off in relation to loans in the portfolio may adversely affect the Issuer's ability to make payments on the Notes.

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

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

The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013 and: (i) recently published a report following a thematic review concerning the quality and suitability of mortgage advice provided by firms; and (ii) it began a further thematic review on responsible lending in April 2015, on which it reported in May 2016. This is in addition to regulatory reforms being made as a result of the implementation of the Mortgage Credit Directive from 21 March 2016 (see "*Mortgage Credit Directive*

" below). It is possible that further changes may be made to the FCA's MCOB rules as a result of these reviews and regulatory reforms. To the extent that the new rules do apply to any of the Loans, failure to comply with these rules may entitle a Borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the Loan. Any such claim or set-off may reduce the amounts available to meet the payments due in respect of the Notes.

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) the FCA has the power to make rules 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.

Any further changes to the FCA's 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 or the Financial Services Act 2012, may adversely affect the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations.

### ***Mortgage Credit Directive***

The Mortgage Credit Directive was published in the Official Journal of the European Union on 28 February 2014, and entered into force on 21 March 2014. The Mortgage Credit Directive had to be transposed into the national law of each member state of the European Union by 21 March 2016. The Mortgage Credit 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 Credit Directive does not apply to certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.



The Mortgage Credit 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 Credit Directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The UK government and the FCA consulted on the transposition and implementation of the Mortgage Credit Directive. In September 2014 the UK government published a consultation paper on the transposition of the Mortgage Credit Directive together with a draft impact assessment and draft Mortgage Credit Directive Order. The draft Mortgage Credit Directive Order contained amendments to legislation including the FSMA, CCA and the RAO. The final text of the draft Mortgage Credit Directive Order, together with a draft explanatory memorandum and draft transposition table, was published on legislation.gov.uk on 28 January 2015.

On 25 March 2015, the Mortgage Credit Directive Order was passed in order to make the necessary legislative changes to implement the Mortgage Credit Directive. Whilst certain provisions of the Mortgage Credit Directive Order came into force before 21 March 2016, the Mortgage Credit Directive Order took effect for most purposes on 21 March 2016. On 27 March 2015 the FCA published its Policy Statement PS15/9, which contained the final text of the sections of its handbook that are to give effect to the Mortgage Credit Directive. This handbook material contained extensive changes to MCOB. Lenders had the option to elect to apply these new requirements from 21 September 2015 onwards, but they became mandatory from 21 March 2016. On 5 June 2015 the FCA published its Policy Statement PS15/11, which contained further amendments to its handbook in order to give effect to the Mortgage Credit Directive, including the amendment to make CBTL mortgage business subject to the FCA's dispute resolution rules and within the Financial Ombudsman Service's jurisdiction. On 31 July 2015 the FCA published a further Policy Statement (PS15/20), which set out further amendments to its handbook to implement the Mortgage Credit Directive, including amendments to MCOB and rules in the Consumer Credit sourcebook ("CONC") to set out the types of agreement that are regulated by each.

The mortgage market review changes to MCOB and any future changes to MCOB that are necessitated by the Mortgage Credit Directive and the Mortgage Credit Directive Order, may adversely affect the Loans, the Seller, the Issuer and/or the Servicer and their respective businesses and operations.

Since the Mortgage Credit Directive was only implemented fully into UK law through the Mortgage Credit Directive Order on 21 March 2016, it remains to be seen what effect the Mortgage Credit Directive and the implementation of the directive into UK law will have on the Loans, the Seller, the Issuer and/or the Servicer and their respective businesses and operations. However, the UK's approach to implementation has been to minimise the impact of the Mortgage Credit Directive on the UK mortgage market by building on the existing UK regulatory regime (rather than copy out the directive into UK legislation).

### ***Automatic capitalisations***

On 24 April 2017, the FCA issued finalised guidance relating to issues arising from automatic capitalisation, in particular cases where lenders both add arrears to an account balance and keep a separate record of the borrower's arrears and seek separate (and additional) payment of those. In the finalised guidance, the FCA state that they expect FCA authorised firms to ensure this practice ceases and to carry out remediation. The review period for remediation begins from 25 June 2010 and the FCA expects all remediation programmes to be concluded by 30 June 2018.

The FCA have proposed a framework for remediation and in broad terms, the FCA expect borrowers to be compensated for any incorrectly charged fees and interest and where fees have been paid by the customer, simple interest of 8% p.a. and simple interest of 8% on any "overpayments", i.e. any actual payments of monthly payments in excess of those which would have been required to pay off the arrears had there been

no automatic capitalisation. Firms using the remediation framework will only reconstitute mortgage accounts where at least one automatic capitalisation resulted in an additional payment greater than £10 per month. Use of the framework is not mandatory, but the FCA expect firms to determine a remediation approach to achieve fair outcomes for the affected customers. However, the FCA believes the approach in the guidance will be proportionate for most firms.

If any remediation is required or Borrowers bring claims in connection with their Loans in respect of an automatic capitalisation, such remediation and claims and any set-off by Borrowers in respect of such claims against the amount due by the Borrowers under the relevant Loans, may adversely affect the ultimate amount received by the Issuer in respect of the relevant Loans, and the realisable value of the Portfolio and/or the ability of the Issuer to make payments under the Notes.

### ***Unauthorised capitalisations***

A case in the Northern Ireland High Court in 2014 (*Bank of Scotland PLC v Rea*) brought to the attention of mortgage lenders generally, and the FCA, concerns over how mortgage lenders were capitalising arrears.

The issue relates to lenders who add arrears to an account balance and then use that balance to calculate the monthly payment without the borrower's consent. This practice is referred to as "automatic capitalisation" by the FCA. The principal concern with the practice highlighted by the Northern Ireland High Court is that it is often coupled with a practice under which at the same time as capitalising the arrears, a separate record of the borrower's arrears is kept by the lender and then the lender seeks separate (and additional) payment of those arrears even though their payment has already been provided for in the calculation of the monthly payment. This may result in borrowers being incorrectly charged arrears charges and fees (on "arrears" that because they have been capitalised, no longer subsist) and (where the borrower makes payment towards its separate "arrears balance" in addition to the monthly payment) overpayment (thereby reducing the balance of the loan more quickly than otherwise is required). This practice is in breach of the FCA rules applicable to Regulated Mortgage Contracts but may also be a breach of the contractual terms of a mortgage loan, whether or not it is a Regulated Mortgage Contract.

### ***Distance Marketing***

In the United Kingdom, the Financial Services (Distance Marketing) Regulations 2004 apply to, among other things, credit agreements entered into on or after 31 October 2004 by a "consumer" within the meaning of these regulations by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). Certain credit agreements may be cancellable under these regulations if the borrower does not receive the prescribed information at the prescribed time, or in any event for certain unsecured lending. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14<sup>th</sup> day after the day on which the cancellable agreement is made, where all the prescribed information has been received or, if later, the borrower receives the last of the prescribed information.

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

- 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;
- the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and
- any security provided in relation to the contract is to be treated as never having had effect.

If a significant portion of the Loans are characterised as being cancellable under these regulations, then there could be an adverse effect on the Issuer's receipts in respect of the Loans, affecting the Issuer's ability to make payments in full on the Notes when due.

### ***Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and Consumer Rights Act 2015***

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 Regulation 1994 (together with the 1999 Regulations, (the "**UTCCR**"), applies to agreements made on or after 1 July 1995 but prior to 1 October 2015 by a "consumer" within the meaning of the UTCCR, where the terms have not been individually negotiated. The Consumer Rights Act 2015 (the "**CRA**") has revoked the UTCCR in respect of contracts made on or after 1 October 2015 (see "*Consumer Rights Act 2015*" below).

The UTCCR provide that a consumer may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term).

Under each of the UTCCR and the CRA, it is possible for a consumer to challenge a term in a contract on the basis that it is unfair or for the regulator to take enforcement action to stop the use of terms which are considered to be unfair (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term). A term is unfair for these purposes, if contrary to the requirement of good faith, it causes a significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer.

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, 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, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees. For example, if a term permitting the lender to vary the interest rate (as the originator is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan agreement that the borrower has taken with the lender (or exercise analogous rights in Scotland). Any such non-recovery, claim or set-off may adversely affect the Issuer's ability to make payments in full on the Notes when due.

On 12 January 2016, the FCA and the Competition and Markets Authority (the "**CMA**") entered into a memorandum of understanding in relation to consumer protection (the "**MoU**") which stated that the CMA may consider fairness, but will not usually expect to do so, where the firm concerned is an authorised firm or an authorised representative under FSMA. Further, the MoU stated that the FCA will consider fairness within the meaning of the CRA and the UTCCR, of standard terms, and the CRA of negotiated terms, in financial services contracts issued by authorised firms or appointed representatives, when such firms or representatives are undertaking any regulated activity (as specified in Part II of the RAO), in the United Kingdom. In this MoU 'authorised' includes having an interim permission and a 'relevant permission' includes an interim permission. This will include contracts for:

- mortgages and the selling of mortgages;
- insurance and the selling of insurance;
- bank, building society and credit union accounts;
- life assurance;

- pensions;
- investments;
- consumer credit;
- consumer hire; and
- other credit-related regulated activities.

In July 2012, the Law Commission launched a consultation in order to review and update the recommendations set out in their 2005 Report on Unfair Terms in Contracts. In March 2013, the Law Commission and The Scottish Law Commission (together, the "**Commissions**") published its advice, in a paper entitled "Unfair Terms in Consumer Contracts: Advice to the Department for Business, Innovation and Skills". This advice paper repeats the recommendation from the 2005 Report on Unfair Terms in Contracts that the Unfair Contract Terms Act 1977 and the UTCCR should be consolidated, as well as providing new recommendations, including extending the protections of unfair terms legislation to notices and some additions to the "grey list" of terms which are indicatively unfair. The Commissions also recommended that the UTCCR should expressly provide that, in proceedings brought by individual consumers, the court is required to consider the fairness of the term, even if the consumer has not raised the issue, where the court has available to it the legal and factual elements necessary for that task. Such reforms are included in the Consumer Rights Act 2015, which came into force in October 2015.

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012.

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. The FCA stated that such material "no longer reflects the FCA's views on unfair contract terms" and that firms should no longer rely on the content of the documents that had been removed.

The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans entered into between 1 October 1999 and 30 September 2015 is found to be unfair for the purpose of the UTCCR, this may reduce the amounts available to meet the payments due in respect of the Notes.

### ***Consumer Rights Act 2015***

The main provisions of the CRA came into force on 1 October 2015. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR for contracts entered into on or after 1 October 2015. The CRA has revoked the UTCCR in respect of contracts made on or after 1 October 2015 and introduced a new regime for dealing with unfair contractual terms as follows:

Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer,

although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.

Schedule 2 of the CRA contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract although paragraph 22 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

A consumer contract may not be assessed for fairness to the extent that (i) it specifies the main subject matter of the contract; and/or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it; unless it appears on the "grey list" referenced above. A trader must ensure that a written term of a consumer contract, or a consumer notice in writing, is transparent i.e. that it is expressed in plain and intelligible language and is legible.

Where a term of a consumer contract is "unfair" it will not bind the consumer. However, the remainder of the contract, will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible of multiple different meanings, the meaning most favourable to the consumer will prevail. It is the duty of the court to consider the fairness of any given term. This can be done even where neither of the parties to proceedings have explicitly raised the issue of fairness.

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the Competition and Markets Authority (the "CMA") published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the "**CMA Guidance**"). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR". The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs". In general, there is little reported case law on the UTCCR and/or the CRA and the interpretation of each is open to some doubt. The extremely broad and general wording of the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans entered into on or after 1 October 2015 is found to be unfair for the purpose of the CRA, this may reduce the amounts available to meet the payments due in respect of the Notes. No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Seller, the Issuer and/or the Servicer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans.

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

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.2014/870) 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 CBTLs in the Portfolio and any debt collection activity with regard to commercial demands for payment.

The Unfair Practices Directive provided for a transitional period until 12 June 2013 for the application of full harmonisation in the fields to which it applies. In March 2013, the European Commission published a report on the application of the Unfair Practices Directive, which indicated (among other things) that there is no case for further harmonisation in the fields of financial services and immovable property. No assurance can be given that the implementation of the Unfair Practices Directive into UK law and any further harmonisation will not have a material adverse effect on the Loans or on the manner in which they are serviced and accordingly on the ability of the Issuer to make payments to Noteholders.

### ***Mortgage repossession***

The Mortgage Repossessions (Protection of Tenants etc) Act 2010 came into force on 1 October 2010. This Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 came into force on 30 September 2010 and imposes additional requirements on heritable creditors (the Scottish equivalent of a mortgagee) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of the Act, the heritable creditor, which may be the Seller or, in the event of it taking legal title to the Scottish loans and their Related Security, the Issuer, has to obtain a court order to exercise its power of sale (in addition to initiating the enforcement process by the service of a two month "calling up" notice), unless the borrower and any other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor also has to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, and comply with further procedural requirements.

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

### ***Land Registration Reform in Scotland***

The Land Registration etc. (Scotland) Act 2012 (the "**2012 Act**") came into force in Scotland on 8 December 2014. One of the policy aims of the 2012 Act is to encourage the transfer of property titles recorded in the historic General Register of Sasines to the more recently established Land Register of Scotland with the aim of eventually closing the General Register of Sasines.

Previously, title to a residential property that was recorded in the General Register of Sasines would usually only require to be moved to the Land Register of Scotland (a process known as "first registration") when that property was sold or if the owner decided voluntarily to commence first registration. However, the 2012 Act sets out in provisions which are being brought into effect in stages, additional circumstances which will trigger first registration of properties recorded in the General Register of Sasines, including (i) the recording of a standard security (which would extend to any standard security granted by the Issuer in favour of the Security Trustee over Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Deed of Charge following a Perfection Event (a "**Scottish Sasine Sub-Security**")) or (ii) the recording of an assignation of a standard security (which, in the latter case, would extend to any assignation granted by the Seller in favour of the Issuer in respect of Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Mortgage Sale Agreement following a Perfection Event (a "**Scottish Sasine Transfer**")).

The relevant provisions of the 2012 Act relating to the recording of standard securities came into force on 1 April 2016. As the transaction contemplated by the Transaction Documents involves the sale of a static pool of mortgages and standard securities, these changes should not have any immediate effect in relation to the Scottish Mortgages contained in the Portfolio at the Closing Date. As of the date of this Prospectus, the General Register of Sasines is now closed to the recording of standard securities. Notwithstanding the provisions of the 2012 Act mentioned above, for the time being, other deeds such as assignations of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines indefinitely (although the Registers of Scotland have reserved the right to consult further on this issue in the future).

If the General Register of Sasines becomes closed to assignments of standard securities at any time after the date of this Prospectus, then this would also have an impact on the registration of Scottish Sasine Transfers in addition to impacting on the registration of Scottish Sasine Sub-Security executed following a Perfection Event, with the probability of higher legal costs and a longer period required to complete registration than would currently be the case.

As noted above, such events will only occur following a Perfection Event and given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (the Registers of Scotland estimate that, in April 2016 around 60 per cent. of property titles in Scotland were registered in the Land Register of Scotland), it is likely that, in relation to the current Portfolio, where, as at the Portfolio Reference Date, 3.52 per cent. (by current balance) of the Properties are located in Scotland, only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

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

No assurance can be given that additional regulatory changes and/or make temporary product interventions by or guidance from the CMA, the FCA, the Ombudsman (as applicable) or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

### ***Financial Services Compensation Scheme and "Help to Buy" Scheme***

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.

In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to borrowers for the purchase of new homes. The shared equity loans became available from 1 April 2013. The second involves a guarantee provided by the UK Government for loans made to the borrowers allowing up to a 95% LTV. The guarantee loans became available from 1 October 2013 (each of the loans under this scheme, a "**Help-to-Buy Loan**"). A similar shared equity loan scheme is available in Scotland and administered by the Scottish Government. The Portfolio includes Loans which benefit from a guarantee provided under the "Help to Buy" Scheme, however no Loan will have the benefit of any governmental guarantee or support or under the equivalent scheme in Scotland.

## **CERTAIN INSOLVENCY RISKS**

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

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

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

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



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

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

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

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

#### *Security and insolvency considerations*

The Issuer will enter into the Deed of Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes (as to which, see "*Summary of the Key Transaction Documents – Deed of Charge*"). If certain insolvency proceedings (including administrations or liquidations) are commenced in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired.

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

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986 (as noted further below), certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

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

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

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

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

#### *Liquidation expenses*

Prior to the House of Lords' decision in the case of *Re Leyland Daf* [2004] UKHL 9 ("**Re Leyland Daf**"), the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency

Act 1986, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer which would otherwise have been available to the Secured Creditors would be reduced by the amount of all, or a significant proportion of, any liquidation expenses which could have an adverse effect on the ability of the Issuer to make payments in respect of the Notes.

#### *Insolvency proceedings and subordination provisions*

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

The Supreme Court of the United Kingdom has held that a flip clause as described above is valid under English law. Contrary to this, however, in parallel proceedings the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflict remain unresolved.

If a creditor of the Issuer (such as the Swap Provider) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the applicable Priority of Payments which refers to the ranking of the Swap Provider's payment rights in respect of Hedge Subordinated Amounts). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to the Swap Provider given that it has assets and/or operations in the U.S., notwithstanding that it is a non-U.S. established entity and/or with respect to any replacement counterparty, depending on certain matters in respect of that entity.

In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of Hedge Subordinated Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Notes. If any rating assigned to the Notes is lowered, the market value of the Notes may reduce.

## *Risks relating to the Banking Act 2009*

The Banking Act 2009 (the "**Banking Act**") includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including authorised deposit-taking institutions and investment firms, and powers to take certain resolution actions in respect of third country institutions. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third country institution or in the same group as an EEA credit institution or investment firm. Relevant transaction parties for these purposes include the Swap Provider, the Issuer Account Bank and the Collection Account Bank.

The tools available under the Banking Act 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 (such as a Scottish Declaration of Trust), (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 the Seller) trigger events in respect of perfection of legal title to the 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 was regarded to be 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 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 with its head office in an EU state other than the UK and/or certain group companies could be subject to certain resolution actions in that other state. 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.

## **CERTAIN TAX CONSIDERATIONS**

### ***UK Taxation treatment of the Issuer***

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as set out in the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (as amended) (the "**Securitisation Tax Regulations**")), and, as such, should be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Tax Regulations) for so long as it satisfies the conditions of the Securitisation Tax Regulations. However, if the Issuer does not in fact satisfy the conditions of the Securitisation Regulations (or subsequently ceases to satisfy those conditions), then the Issuer may be subject to tax liabilities not contemplated in the cash flows for the transaction described in this Prospectus. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest and/or principal than expected.

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

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's Proposal**"), for a financial transaction tax ("**FTT**") to be adopted in certain participating member states of the European Union ("**Member States**") (including Belgium, Germany, Estonia (although Estonia has since stated that it will not participate), Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia). If the Commission's Proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

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

The FTT may give rise to tax liabilities for the Issuer with respect to certain transactions if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's Proposal. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest and/or principal than expected. To the extent that such liabilities may arise at a time when winding up proceedings have been commenced in respect of the Issuer, such liabilities may be regarded as an expense of the liquidation and, as such, be payable out of the floating charge assets of the Issuer (and its general estate) in priority to the claims of Noteholders and other secured creditors. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if the conditions for a charge to arise are satisfied and

the FTT is adopted based on the Commission's Proposal. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### ***Withholding tax under the Notes***

In the event that any withholding or deduction for or on account of any tax is imposed on payments in respect of the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate the Noteholders for such withholding or deduction. However, in such circumstances, the Issuer will, in accordance with Condition 8.4 (*Mandatory Redemption of the Notes for Taxation or Other Reasons*) of the Notes, be required (subject to certain conditions) to 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 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), as at the date of this Prospectus no withholding or deduction for account of United Kingdom income tax will be required on payments of interest of the Notes. However, there can be no assurance that the law will not change during the life of the Notes.

The applicability of any withholding or deduction for or on account of United Kingdom tax on payments of interest on the Notes is discussed further under "*United Kingdom Taxation*" below.

## **CERTAIN MARKET RISKS**

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

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

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

### ***Book-Entry Interests***

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

A nominee for the common safekeeper for Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**") will be considered the registered holder of the Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal holder of the Global Note under the Trust Deed while the Notes are represented by the Global Note. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a

participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

Except as noted in the previous paragraphs, payments of principal and interest on, and other amounts due in respect of, the Global Note will be made by the Principal Paying Agent to a nominee of the Common Safekeeper. 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.

### ***General market volatility and post-UK referendum uncertainty***

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) persist, in particular with respect to current economic, monetary and political conditions in the Eurozone. If 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 states or institutions and/or any exit(s) by any member state(s) from the European Union 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 UK housing market, the Issuer, one or more of the other parties to the transaction

documents (including, without limitation, the Seller, the Servicer and/or the Issuer Account Bank) and/or any borrower in respect of the underlying loans.

In particular, prospective investors should note that, on 23 June 2016 the United Kingdom voted to leave the European Union in a referendum (the "**Brexit Vote**") and on 29 March 2017 the United Kingdom gave formal notice (the "**Article 50 Notice**") under Article 50 of the Treaty on European Union ("**Article 50**") of its intention to leave the European Union. The timing of the UK's exit from the EU remains subject to some uncertainty, but it is unlikely to be before March of 2019. Article 50 provides, subject to certain circumstances, that the EU treaties will cease to apply to the UK two years after the Article 50 Notice. The terms of the UK's exit from the EU are also unclear and will be determined by the negotiations taking place following the Article 50 Notice. It is possible that the UK will leave the EU with no withdrawal agreement if no agreement can be finalised within two years. In such circumstances, it is likely that a high degree of political, legal, economic and other uncertainty will result. Given this uncertainty and the range of possible outcomes, it is not currently possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on general economic conditions in the UK, including the performance of the UK housing market. Such uncertainty and consequential market disruption may also cause investment decisions to be delayed, reduce job security and damage consumer confidence and could affect obligors' willingness or ability to meet their obligations, resulting in increased defaults in the securitised portfolio and ultimately the ability of the Issuer to pay interest and repay principal to Noteholders.

The Brexit Vote may also have an adverse effect on counterparties on the transaction. Depending on the terms of the exit from the EU they may become unable to perform their obligations resulting from changes in regulation, including the loss of existing regulatory rights to do cross-border business. Additionally, counterparties may be adversely affected by rating actions or volatile and illiquid markets (including currency markets and bank funding markets) arising from the Brexit Vote, the Article 50 Notice and the conduct and progress of the formal withdrawal negotiations. As a result, there is an increased risk of such counterparties becoming unable to fulfil their obligations which could have an adverse impact on Noteholders.

The Brexit Vote has resulted in downgrades of the UK sovereign and the Bank of England by Standard & Poor's and by Fitch. Standard & Poor's, Fitch and Moody's have all placed a negative outlook on the UK sovereign rating and that of the Bank of England, suggesting a strong possibility of further negative rating action. Further downgrades may cause downgrades to counterparties on the transaction meaning that they cease to have the relevant required ratings to fulfil their roles and need to be replaced. If rating action is widespread, it may become difficult or impossible to replace counterparties on the transaction with others who have the required ratings on similar terms or at all.

The Brexit Vote has also caused constitutional tensions within the UK. Majorities of voters in both Scotland and Northern Ireland voted to remain in the European Union. Leading figures in both Scotland and Northern Ireland have suggested that they have a mandate from their voters to remain in the EU and might seek to leave the United Kingdom in order to achieve that outcome. The Issuer cannot predict how the future departure of Scotland and/or Northern Ireland from the UK would affect the Transaction and the ability of the Issuer to pay interest and repay principal to Noteholders.

In addition, the main Westminster political parties have devolved to the Scottish Parliament additional legislative powers previously reserved to the UK Parliament under the Scotland Act 2016 which came into force on 23 March 2016 and which devolves, amongst other things, control of income tax to the Scottish Parliament by giving it the power to raise or lower the rate of income tax and thresholds for non-dividend and non-savings income of Scottish residents. Whilst the majority of the provisions are not expected to have an adverse impact on the Scottish economy or on mortgage origination in Scotland, increased powers for the Scottish Parliament to control income tax could mean that borrowers in Scotland are subject to a different rate of income tax from borrowers in the same income bracket in England, Wales and Northern Ireland,



which may affect some Borrowers' ability to pay amounts when due on the Loans originated in Scotland, and which, in turn, may adversely affect payments by the Issuer on the Notes.

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

## **CERTAIN REGULATORY RISKS IN RESPECT OF THE NOTES**

### ***Change of Law***

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Rated Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes. In addition, it should be noted that regulatory requirements (including any applicable retention, due diligence or disclosure obligations) may be recast or amended and there can be no assurance that any such changes will not adversely affect the compliance position of a transaction described in this Prospectus or of any party under any applicable law or regulation.

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

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

In particular, investors should note that the Basel Committee on Banking Supervision ("**BCBS**") has approved significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as "**Basel III**"), including certain revisions to the securitisation framework. Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**"). BCBS member countries agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements for certain requirements (e.g. the LCR requirements refer to implementation from the start of 2015, with full implementation by January 2019, and the NSFR requirements refer to implementation from January 2018). As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset-backed securities (e.g. as LCR eligible assets or not), may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction 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, UCITS funds and institutions for occupational retirement provisions.

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

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

It should be noted that the European Commission has published legislative proposals for two new regulations related to securitisation and political agreement on the proposals was reached in May 2017. Amongst other things, the proposals include provisions intended to implement the revised securitisation framework developed by BCBS and provisions intended to harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. While full details with respect to the agreed position are not yet available, it appears that there will be material differences between the coming new requirements and the current requirements including with respect to application approach under the retention requirements and the originator entities eligible to retain the required interest. It should be noted that the compliance position under the adopted revised requirements of transactions entered into prior to adoption, and of activities undertaken by a party (including an investor) in respect of such transactions, is uncertain at this time.

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.

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

Section 941 of the Dodd-Frank Act amended the Exchange Act to generally require the "securitizer" of a "securitization transaction" to retain at least 5 per cent. of the "credit risk" of "securitized assets", as such terms are defined for the purposes of that statute, and generally prohibit a securitizer from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. The U.S. Risk Retention Rules came into effect on 24 December 2016 with respect to all classes of asset-backed securitizations. The U.S. Risk Retention Rules provide that the securitizer of an asset backed securitization is its sponsor. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The Seller, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5 per cent. of the credit risk of the securitized assets for purposes of compliance with the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding

non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the "ABS interests" (as defined in Section 2 of the U.S. Risk Retention Rules) are issued) of all classes of ABS interests issued in the securitization transaction are sold or transferred to, or for the account or benefit of, U.S. persons (as defined in the U.S. Risk Retention Rules, "**Risk Retention U.S. Persons**"); (3) neither the sponsor nor the issuer of the securitization transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised or located in the United States.

The Portfolio will be comprised of mortgage loans and their related security, all of which are originated by the Seller, a company incorporated in England. See the section entitled "*The Seller and the Servicer*".

Prior to any Notes or Residual Certificates which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person, the purchaser of such Notes or Residual Certificates must first disclose to the Joint Lead Managers that it is a Risk Retention U.S. Person and obtain the written consent of the Seller in the form of a U.S. Risk Retention Consent. Prospective investors should note that the definition of U.S. person in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of U.S. person under Regulation S, and that persons who are not "U.S. persons" under Regulation S may be U.S. persons under the U.S. Risk Retention Rules. The definition of U.S. person in the U.S. Risk Retention Rules is excerpted below. Particular attention should be paid to clauses (b) and (h)(i), which are different than comparable provisions from Regulation S.

Under the U.S. Risk Retention Rules, and subject to limited exceptions, "U.S. person" (and "Risk Retention U.S. Person" as used in this Prospectus) means any of the following:

- (a) any natural person resident in the United States;
- (b) any partnership, corporation, limited liability company, or other organisation or entity organised or incorporated under the laws of any State or of the United States<sup>1</sup>;
- (c) any estate of which any executor or administrator is a U.S. person (as defined under any other clause of this definition);
- (d) any trust of which any trustee is a U.S. person (as defined under any other clause of this definition);
- (e) any agency or branch of a foreign entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person (as defined under any other clause of this definition);
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- (h) any partnership, corporation, limited liability company, or other organisation or entity if:
  - (i) organised or incorporated under the laws of any foreign jurisdiction; and
  - (ii) formed by a U.S. person (as defined under any other clause of this definition) principally for the purpose of investing in securities not registered under the Securities Act<sup>2</sup>;

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<sup>1</sup> The comparable provision from Regulation S is "(ii) any partnership or corporation organised or incorporated under the laws of the United States.

Each holder of a Note or a beneficial interest therein acquired on the Closing Date, by its acquisition of a Note or a beneficial interest in a Note, will be deemed, and, in certain circumstances, will be required to represent to the Issuer, the Seller and the Joint Lead Managers that it (1) either (i) is not a Risk Retention U.S. Person or (ii) it has obtained a U.S. Risk Retention Consent, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules described herein).

There can be no assurance that the requirement to request the Seller to give its prior written consent to any Notes or Residual Certificates which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person will be complied with or will be made by such Risk Retention U.S. Persons.

There can be no assurance that the exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. No assurance can be given as to whether a failure by the Seller to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) may give rise to regulatory action which may adversely affect the Notes, the Residual Certificates or the market value of the Notes and Residual Certificates. Furthermore, the impact of the U.S. Risk Retention Rules on the securitization market generally is uncertain, and a failure by the Seller to comply with the U.S. Risk Retention Rules could therefore negatively affect the market value and secondary market liquidity of the Notes and the Residual Certificates.

None of the Joint Lead Managers or any of their affiliates makes any representation to any prospective investor or purchaser of the Notes as to whether the transactions described in this Prospectus comply as a matter of fact with the U.S. Risk Retention Rules on the Closing Date or at any time in the future. Investors should consult their own advisors as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### ***Effects of the Volcker Rule on the Issuer***

The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. The Volcker Rule became effective on 1 April 2014, but was subject to a conformance period for certain funds which concluded on 21 July 2015. Under the Volcker Rule, unless otherwise jointly determined otherwise by specified federal regulators, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7) of the Investment Company Act. The Issuer is of the view that it is not now, and immediately after giving effect to the offering and sale of the Notes and the application of the proceeds thereof on the Closing Date will not be a "covered fund" for the purposes of the Investment Company Act and under the Volcker Rule and its related regulations may be available, the Issuer has relied on the determination that it would satisfy all of the elements of the exemption from the definition of "investment company" under the Investment Company Act provided by Section 3(c)(5) thereunder and, accordingly, may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to certain issuers that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from registration under the Investment Company Act. The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Notes or the Residual

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<sup>2</sup> The comparable provision from Regulation S "(vii)(B) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in 17 CFR 230.501(a)) who are not natural persons, estates or trusts.

Certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

### ***European Market Infrastructure Regulation***

EMIR came into force on 16 August 2012. EMIR and the requirements under it impose certain obligations on parties to "over the counter" ("**OTC**") derivative contracts including a mandatory clearing obligation, margin posting and other risk-mitigation techniques for OTC derivatives contracts not cleared by a central counterparty, and reporting and record-keeping requirements.

Under EMIR, (i) financial counterparties ("**FCs**") and (ii) non-financial counterparties whose positions, together with the positions of all other non-financial counterparties in its "group" (as defined in EMIR), in OTC derivatives (excluding hedging positions) exceed a specified clearing threshold ("**NFC+s**", and together with FCs, the "**In-scope Counterparties**") must clear via an authorised or recognised central counterparty ("**CCP**") OTC derivatives contracts that are entered into on or after the effective date for the clearing obligation for that counterparty pair and class of derivatives (the "**Clearing Start Date**"). Unless an exemption applies, FCs and NFC+s must clear any such OTC derivative contracts entered into between each other and with certain third country equivalent entities (i.e. those that would have been subject to the clearing obligations if they were established in the EU). The process for implementing the clearing obligation is under way and a timeframe for compliance has been established for the first class of transactions (being certain interest rate derivative contracts in USD, EUR, GBP and JPY), with the Clearing Start Date for such contracts with NFC+s being 21 December 2018. Timeframes for mandatory clearing of certain other classes of OTC derivatives transactions have also been established.

On the basis that the Issuer is currently a non-financial counterparty whose positions, together with the positions of all other non-financial counterparties in its "group", in OTC derivatives (after the exclusion of hedging positions) do not exceed any of the specified clearing thresholds (each, an "**NFC-**"), OTC derivative contracts that are entered into by the Issuer would not in any event be subject to any mandatory clearing or frontloading requirements. If the Issuer's counterparty status as an NFC- changes then certain OTC derivatives contracts that are entered into by the Issuer may become subject to mandatory clearing.

Under EMIR, OTC derivatives contracts entered into by NFC+ and FC entities (and/or third country equivalent entities) that are not cleared by a CCP may be subject to margining requirements unless certain exemptions apply. The regulatory technical standards relating to the collateralisation obligations in respect of OTC derivatives contracts which are not cleared (the "**RTS**") are now in force and the obligation for In-scope Counterparties to margin uncleared OTC derivatives contracts is being phased in from the first quarter of 2017 with variation margin obligations applying to all transactions entered into by In-scope Counterparties from 1 March 2017. However, on the basis that the Issuer is an NFC-, OTC derivatives contracts that are entered into by the Issuer would not be subject to any margining requirements. If the Issuer's counterparty status as an NFC- changes then certain OTC derivatives contracts that are entered into by the Issuer may become subject to margining requirements.

If the Issuer becomes subject to the clearing obligation or the margining requirements under EMIR, this may increase administrative burdens on the Issuer, adversely affect the Issuer's ability to enter into hedging arrangements and/or create significantly higher costs of hedging for the Issuer which may in turn reduce the amounts available to make payments with respect to the Notes. Further, if any party fails to comply with the applicable rules under EMIR it may become subject to regulatory sanctions.

OTC derivatives contracts that are not cleared by a CCP are also subject to certain other risk-mitigation techniques, including arrangements for timely confirmation of OTC derivatives contracts, portfolio reconciliation, dispute resolution and arrangements for monitoring the value of outstanding OTC derivatives contracts. These requirements are already in effect. In order to comply with certain of these risk-mitigation requirements, the Issuer includes appropriate provisions in each Swap Agreement. In addition, under EMIR,

counterparties must report all their OTC and exchange traded derivatives contracts to an authorised or recognised trade repository or to the European Securities and Markets Authority.

The Issuer will be required to continually comply with EMIR while it is party to any interest rate swaps, including any additional provisions or technical standards which may come into force after the Closing Date, and this may necessitate amendments to the Transaction Documents. Subject to receipt by the Note Trustee of a certificate from (i) the Issuer signed by two directors or (ii) the Servicer on behalf of the Issuer, in each case, certifying to the Note Trustee and the Security Trustee that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR, the Note Trustee with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents shall, without the consent or sanction of the Noteholders, the Certificateholders or any of the other Secured Creditors, agree to any modification to the Transaction Documents, the Conditions and/or the Residual Certificates Conditions that are requested in writing by the Issuer (acting in its own discretion or at the direction of any transaction party) in order to enable the Issuer to comply with any requirements which apply to it under EMIR. The Conditions of the Notes and the Residual Certificates Conditions require this to be done irrespective of whether such modifications are (i) materially prejudicial to the interests of the Noteholders of any Class of Notes or Residual Certificates or any other Secured Creditor or (ii) in respect of a Basic Terms Modification. Neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification if it would have the effect of exposing the Note Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or increasing the obligations or duties, or decreasing the protections of the Note Trustee and/or the Security Trustee in the Transaction Documents and/or the Conditions of the Notes.

In respect of any modifications to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, (i) the prior written consent of the Swap Provider or (ii) written notification from the Issuer to the Note Trustee and the Security Trustee that Swap Provider consent is not needed, is also required prior to such amendments being made.

### ***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).

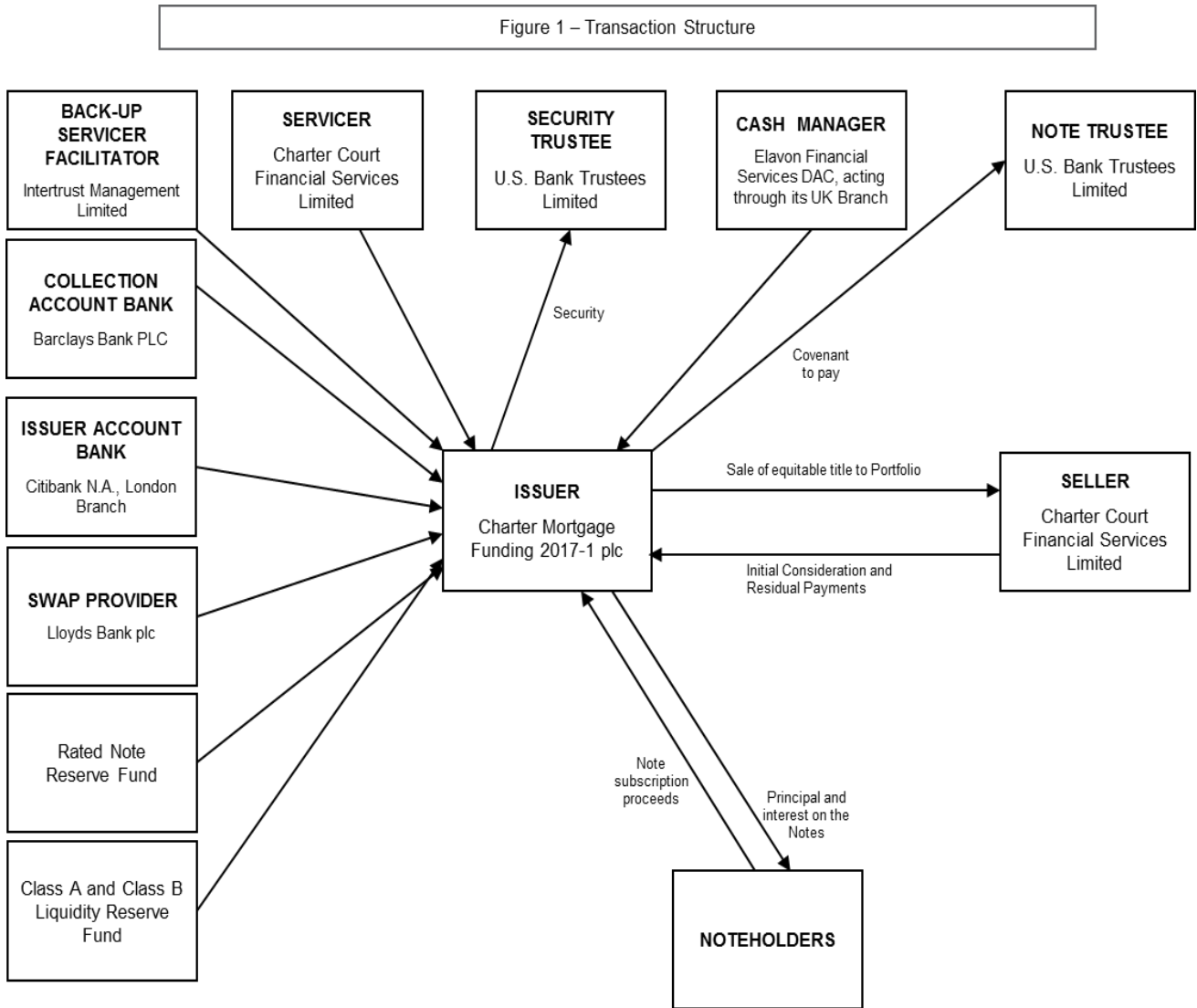
Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by S&P and Moody's, each of which, as at the date of this Prospectus, is a credit rating agency established in the European Community and registered under the CRA Regulation.

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

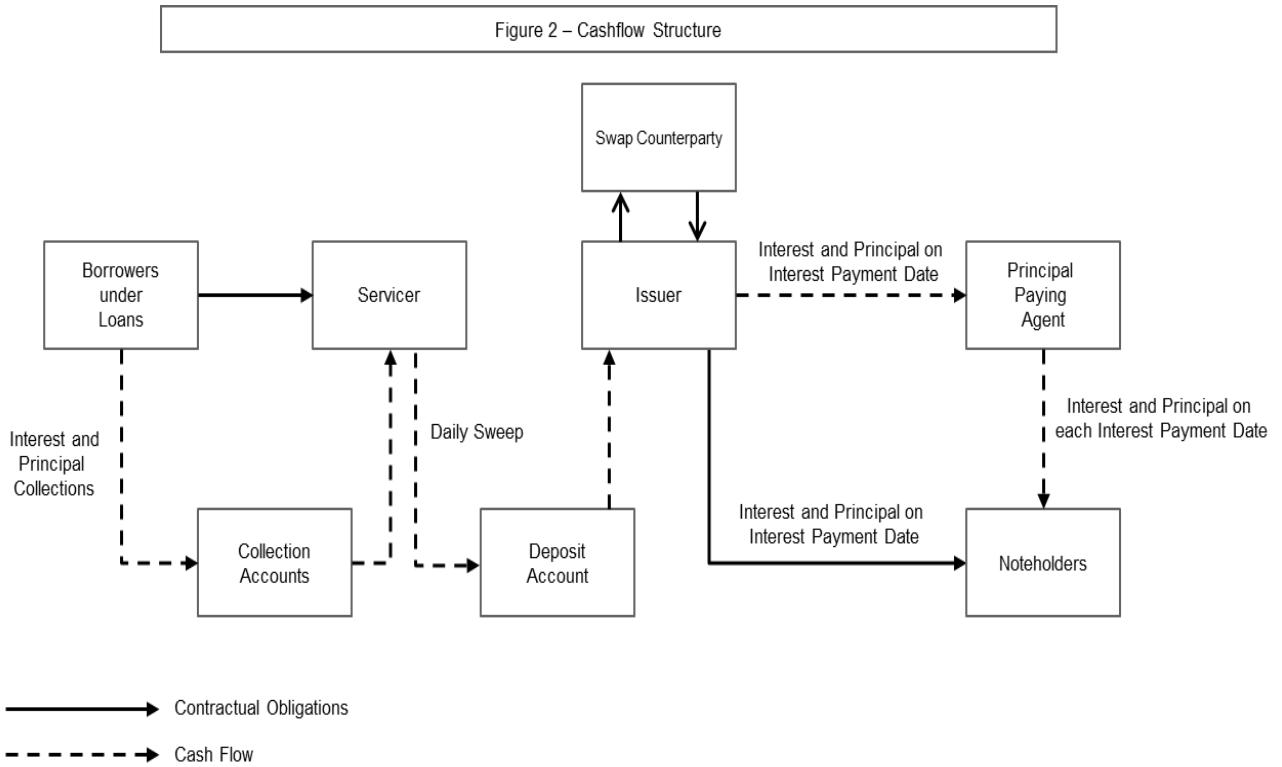
The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used 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.

## STRUCTURE DIAGRAMS

### DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



## DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS



The Issuer will purchase the Portfolio on the Closing Date.



## OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

Figure 3 – Ownership Structure

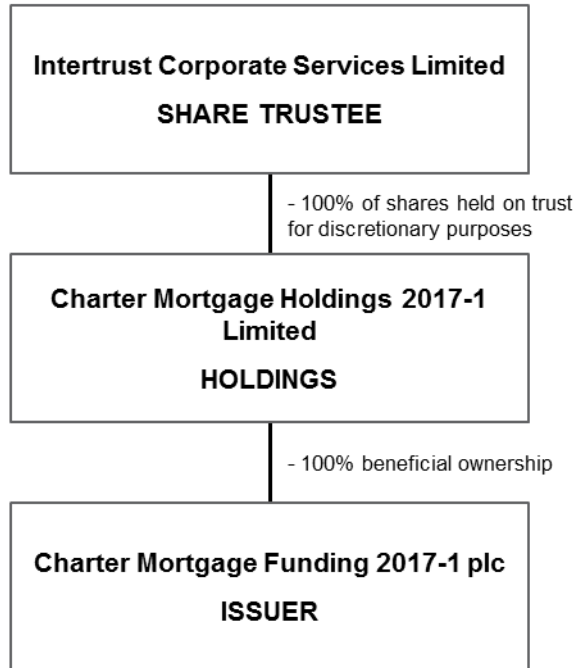


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- The Issuer is a wholly owned Subsidiary of Holdings in respect of its beneficial ownership.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a trust the benefit of which is expressed to be for discretionary purposes.
- None of the Issuer, Holdings 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
"Issuer"	Charter Mortgage Funding 2017-1 plc	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
"Holdings"	Charter Mortgage Holdings 2017-1 Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
"Servicer"	Charter Court Financial Services Limited	2 Charter Court, Broadlands, Wolverhampton WV10 6TD	Servicing Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " and " <i>The Seller and the Servicer</i> " for further information.
"Seller"	Charter Court Financial Services Limited	2 Charter Court, Broadlands, Wolverhampton WV10 6TD	See the section entitled " <i>Summary of the Key Transaction Documents – Mortgage Sale Agreement</i> " for further information.
"Cash Manager"	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Cash Management Agreement by the Issuer. See the sections entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " and " <i>The Cash Manager</i> " for further information.
"Swap Provider"	Lloyds Bank plc	25 Gresham Street, London EC2V 7HN	Swap Agreement by the Issuer. See the sections entitled " <i>Credit Structure – Interest Rate Risk for the Notes – Swap Agreement</i> " and " <i>The Swap Provider</i> " for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>"Issuer Account Bank"</b>	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The Bank Account Agreement by the Issuer. See the sections entitled " <i>Summary of the Key Transaction Documents – The Bank Account Agreement</i> " and " <i>Issuer Account Bank</i> " for further information.
<b>"Collection Account Bank"</b>	Barclays Bank PLC	One Churchill Place, London E14 5HP	The Collection Account Agreement by CCFS as the account holder. See the section entitled " <i>Summary of the Key Transaction Documents – The Collection Accounts Declaration of Trust</i> ", " <i>Collection Account Agreement</i> " and " <i>The Collection Account Bank</i> " for further information.
<b>"Security Trustee"</b>	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Deed of Charge. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " for further information.
<b>"Note Trustee"</b>	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Trust Deed. See the sections entitled " <i>Terms and Conditions of the Notes</i> " and " <i>The Note Trustee and Security Trustee</i> " for further information.
<b>"Principal Paying Agent" and "Agent Bank"</b>	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Agency Agreement by the Issuer. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.
<b>"Registrar"</b>	Elavon Financial Services DAC	Block E, Cherrywood Business Park, Loughlinstown, Dublin, Ireland	In respect of the Notes and Residual Certificates, the Agency Agreement, by the Issuer. See the section entitled " <i>Terms and Conditions of the Notes</i> " for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>"Corporate Services Provider"</b>	Intertrust Management Limited	35 Great St. Helen's, London, EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings. See the section entitled <i>"The Corporate Services Provider"</i> for further information.
<b>"Back-Up Servicer Facilitator"</b>	Intertrust Management Limited	35 Great St. Helen's, London, EC3A 6AP	Servicing Agreement by the Issuer. See the section entitled <i>"Summary of the Key Transaction Documents – Servicing Agreement"</i> for further information.
<b>"Share Trustee"</b>	Intertrust Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	Share Trust Deed by the Share Trustee.
<b>"Arranger"</b>	Lloyds Bank plc	25 Gresham Street, London EC2V 7HN	Subscription Agreement. See the section entitled <i>"Subscription and Sale"</i> for further information.
<b>"Joint Lead Manager"</b>	Lloyds Bank plc	25 Gresham Street, London EC2V 7HN	Subscription Agreement. See the section entitled <i>"Subscription and Sale"</i> for further information.
<b>"Joint Lead Manager"</b>	Merrill Lynch International	2 King Edward Street, London EC1A 1HQ	Subscription Agreement. See the section entitled <i>"Subscription and Sale"</i> for further information.
<b>"Joint Lead Manager"</b>	MUFG Securities EMEA plc	Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AJ	Subscription Agreement. See the section entitled <i>"Subscription and Sale"</i> for further information.

## TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

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

### **Sale of Portfolio:**

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

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

The Loans have been originated by the Seller.

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

The sale by the Seller to the Issuer of each Scottish Loan and its Related Security in the Portfolio will be given effect by a Scottish Declaration of Trust by the Seller in favour of the Issuer granted on the Closing Date.

The terms "**sale**", "**sell**" and "**sold**" when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such creation of an equitable interest and such equitable assignment and the beneficial interest created under and pursuant to the Scottish Declaration of Trust, as applicable. The terms "**repurchase**" and "**repurchased**" when used in this Prospectus in connection with a Loan and its Related Security shall be construed to include (A) the repurchase of the equitable interest of the Issuer in respect of such Loan and its Related Security (to the extent that it is an English Loan) and the repurchase of the beneficial interest in respect of such Loan and its Related Security (to the extent that it is a Scottish Loan) under the Scottish Declaration of Trust and the release of such Loan and its Related Security from the Scottish Declaration of Trust and (B) the purchase by the Seller of such Loan and its Related Security from the Issuer pursuant to the terms of the Mortgage Sale Agreement.

Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Loans and their Related Security comprising the Portfolio will not be given to the relevant individual or individuals specified as borrowers in respect of a Loan or the individual or individuals from time to time assuming an obligation to repay (under a guarantee or otherwise) such Loan or any part of it (collectively, the "**Borrowers**" and each a "**Borrower**") and the Issuer will not apply to the Land Registry or the Registers of Scotland to register or record its equitable or beneficial interest in the English Mortgages or take any steps to compete or perfect its title to the Scottish Mortgages. Prior to the occurrence of a Perfection Event, the legal title to each Loan and its Related Security in the Portfolio will be held by the Seller on bare trust for the Issuer (including, in respect of a Scottish Loan, under the Scottish Trust). Following a Perfection Event and notice

of the transfer of the Loans and their Related Security to the Issuer being sent to the relevant Borrowers, legal title to the Loans and their Related Security (subject to appropriate registration or recording at the Land Registry or the Registers of Scotland (as appropriate)) will pass to the Issuer.

**Features of the Loans:**

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

Type of Borrower	Prime
Type of mortgage	Repayment
Right-to-Buy Loans	No
Buy-To-Let Loans	No
Interest-only Loans	No
Self-Certified Loans	No
Equity Release Mortgage Loans	No
Owner-occupied properties	Yes
Owner-occupied properties (as % of Current Balance)	100%
Fast Track	No
Number of loans in the Provisional Portfolio*	1,856

	Average/ Weighted Average	Minimum	Maximum
Current Balance*	£172,439.86	£24,953.85	£957,624.23
Current LTV*	69.65%	6.92%	85.01%
Seasoning (months)*	9.79	0.00	33.54

\* As at the Portfolio Reference Date.  
 \* As at the Portfolio Reference Date.

Remaining Term (years)*	24.83	3.99	35.00
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The "**Current Balance**" of a Loan means, on any date, the aggregate balance of the Loan at such date (but without double counting) including:

- (a) the original principal amount advanced to the relevant Borrower secured or intended to be secured by the related Mortgage and which has not been paid, repaid or prepaid by the relevant Borrower; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has not been paid by the relevant Borrower and which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage other than any administrative fee that is paid by the Borrower for the benefit of any third party and/or retained by the Servicer in accordance with the terms of the Servicing 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 loan contained in the Provisional Portfolio shall be construed as if it were a Loan contained in the Portfolio.

**Consideration:**

The consideration from the Issuer to the Seller in respect of the sale of the Portfolio shall be: (a) the Initial Consideration, which is due and payable on the Closing Date and (b) deferred consideration consisting of the RC1 Payments and RC2 Payments in respect of the Portfolio payable pursuant to the applicable Priority of Payments, the right to such RC1 Payments and RC2 Payments being represented by the RC1 Residual Certificates and RC2 Residual Certificates to be issued by the Issuer and delivered to, or at the direction of, the Seller on the Closing Date.

"**Initial Consideration**" means £297,340,317.69.

Any RC1 Payment will be paid to the RC1 Certificateholder and any RC2 Payment will be paid to the RC2 Certificateholder in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable).

The Seller shall transfer to the Issuer within two Business Days of the Closing Date an amount equal to all Collections received on the Loans and

their Related Security comprised in the Portfolio from (and including) 1 July 2017 to (but excluding) the Closing Date.

**Representations and Warranties:**

The Seller will make certain Loan Warranties regarding the Loans and Related Security to the Issuer and the Security Trustee in relation to the Loans and their Related Security comprised in the Portfolio on the Closing Date.

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

- (a) all of the Borrowers are individuals and were aged 21 years or older as at the date of execution of the Loan;
- (b) each Loan was granted to the relevant Borrower for the acquisition of their main residence;
- (c) to the best of the Seller's knowledge, no Borrower has:
  - (i) filed for bankruptcy or entered into an individual voluntary arrangement, trust deed or debt arrangement scheme (in terms of the Debt Arrangement and Attachment (Scotland) Act 2002 and the Debt Arrangement Scheme (Scotland) Regulations 2011, both as amended) or had a county court judgment, Scottish court decree for payment or bankruptcy order or award for sequestration entered or made against them within six years prior to the date they executed the relevant Loan; or
  - (ii) a credit assessment indicating, based on on the Seller's underwriting policy, a significant risk that contractually agreed payments will not be made;
- (d) no Loan was or is: (i) an Interest-only Loan, (ii) a Right-to-Buy Loan, (iii) a Buy-to-Let Loan, (iv) a Self-Certified Loan or an Equity Release Mortgage Loan;
- (e) no Borrower is an employee or director of the Seller;
- (f) each Loan is secured by (in the case of English Loans) a first ranking mortgage or (in the case of Scottish Loans) a first ranking standard security;
- (g) the rate of interest under each Loan is charged monthly in accordance with the Standard Documentation, including any offer letter and the terms thereof;
- (h) each Loan has a term ending no later than the end of May 2052;
- (i) at least one Monthly Instalment due in respect of each Loan has been paid by the relevant Borrower;
- (j) each Loan was at the time of origination and continues to be denominated in Sterling;



- (k) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was more than £25,000 but less than £1,000,000 as at the relevant date of origination;
- (l) all of the Properties are residential properties located in England, Wales or Scotland;
- (m) the Mortgage Conditions for each Loan do not permit Payment Holidays;
- (n) no Loan is a Flexible Loan;
- (o) prior to the granting of each 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; and
- (p) the Mortgage Conditions for each Loan do not require the Seller to agree to any Further Advance or any Port.

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

**"Lending Criteria"** means in respect of a Loan, the lending criteria of the Seller as at the date such Loan was granted. See the sections entitled *"Summary of the Key Transaction Documents – Mortgage Sale Agreement"* and *"The Loans – Lending Criteria"* for further details.

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

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

The Seller is liable for the repurchase of the relevant Loans and their Related Security in the following circumstances:

- upon a material breach of Loan Warranties (which the Seller fails to remedy within the agreed grace period, being 35 days from and including the date upon which the Issuer gives notice to the Seller of such breach); and
- if the Seller determines on a Calculation Date that a Loan in the Portfolio was a Significant Deposit Loan on the immediately preceding Collection Period Start Date.

**"Significant Deposit Loan"** means a Loan where (i) the Seller holds the legal title, and (ii) the relevant Borrower has a deposit holding with the Seller and the balance of such deposit holding exceeds the maximum amount covered under the Financial Services Compensation Scheme.

**Consideration for repurchase:**

The consideration payable by the Seller in respect of the repurchase of an affected Loan and its Related Security shall be equal to the Current Balance of such Loan (disregarding for the purposes of any such calculation the extent to which the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Seller, the amount of any such reduction in the Current Balance) on the relevant date of any such repurchase, plus the Issuer's costs and expenses (if any) associated with the transfer of such Loan and its Related Security to the Seller. See the section entitled "*Summary of the Key Transaction Documents - Repurchase by the Seller – Repurchase price*" for further information.

**Perfection Events:**

Prior to the completion of the transfer of legal title of the Loans and their Related Security to the Issuer, legal title of the Loans and their Related Security will remain with the Seller and the Issuer will hold only the equitable title or, in relation to any Scottish Loans and their Related Security, the beneficial interest in those Loans and their Related Security pursuant to the Scottish Declaration of Trust and will therefore be subject to certain risks as set out in the risk factor entitled "*Seller to initially retain legal title to the 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 of the Loans and their Related Security to the Issuer, the Seller will hold the legal title to the Loans and their Related Security in the Portfolio (but excluding any Loan and its Related Security which has been repurchased by the Seller) on bare trust for the Issuer.

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

**Servicing of the Portfolio:**

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

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

**Option Holder may exercise the Call Option:**

Pursuant to the Call Option, the Option Holder may (provided that if and for so long as the Option Holder is the Seller the Option Holder will not be permitted to exercise the Call Option), pursuant to and subject to the terms of the Deed Poll, require the Issuer to:

- (a) sell and transfer to a Beneficial Title Transferee the beneficial title to all (but not some) of the Loans and their Related Security comprising the Portfolio in consideration for the Optional Purchase Price; and
- (b) (if applicable) transfer the legal title to all (but not some) of the Loans and their Related Security comprising the Portfolio, or if, at the time the Call Option is exercised, the Issuer does not hold legal title, the right to require the Issuer to procure that the Seller transfers legal title, to a Legal Title Transferee,

on any Interest Payment Date falling on or after (i) the Optional Redemption Date, (ii) any Collection Period Start Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date or (iii) a change in tax law that results in the Issuer or the Swap Provider being required to make a deduction or withholding for or on account of tax or the occurrence of certain illegality events.

See the section entitled "*Early Redemption of the Rated Notes*" below.

**Purchase of Notes**

The Transaction Documents do not require the Seller to purchase the Notes under any circumstances and the Seller covenants in the Receivables Sale Agreement that, if it purchases any Notes or other positions in the securitisation constituted by the Transaction Documents, such purchases will be exceptional and may only be made at arm's length.

## 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 Z Notes	Subordinated Notes	RC1 Residual Certificates	RC2 Residual Certificates
Principal Amount:	£260,172,000	£12,636,000	£9,663,000	£11,893,000	£2,977,000	£5,888,000		
Credit enhancement features:	Overcollateralisation funded by other Notes (other than the Subordinated Notes), Revenue Receipts prior to the service of an Enforcement Notice, and following service of an Enforcement Notice, all amounts credited to the Class A and Class B Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	Overcollateralisation funded by other Notes (other than the Class A Notes and Subordinated Notes), Revenue Receipts prior to the service of an Enforcement Notice, and following service of an Enforcement Notice, all amounts credited to the Class A and Class B Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	Overcollateralisation funded by other Notes (other than the Class A Notes and the Class B Notes and the Subordinated Notes), Revenue Receipts prior to the service of an Enforcement Notice, and following service of an Enforcement Notice, all amounts credited to the Class A and Class B Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	Overcollateralisation funded by the other Notes (other than the Class A Notes, the Class B Notes and the Class C Notes and the Subordinated Notes), Revenue Receipts prior to the service of an Enforcement Notice, and following service of an Enforcement Notice, all amounts credited to the Class A and Class B Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	Revenue Receipts and following service of an Enforcement Notice, all amounts credited to the Class A and Class B Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	Revenue Receipts and following service of an Enforcement Notice, all amounts credited to the Class A and Class B Liquidity Reserve Fund Ledger and the Rated Note Reserve Fund Ledger	N/A	N/A
Liquidity support features	Subordination in payment of the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes and the Subordinated Notes, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Senior Expenses Deficit and the amounts credited to the Class A	Subordination in payment of the Class C Notes, the Class D Notes, the Class Z Notes and the Subordinated Notes, Available Redemption Receipts applied as Principal Addition Amounts to provide for any Senior Expenses Deficit, subject to the limitations set out in the definition of Senior	Subordination in payment of the Class D Notes, the Class Z Notes and the Subordinated Notes and the amounts credited to the Rated Note Reserve Fund	Subordination in payment of the Class Z Notes and the Subordinated Notes and the amounts credited to the Rated Note Reserve Fund	Subordination on payment of the Subordinated Notes	None	N/A	N/A

	<u>Class A Notes</u> and Class B Liquidity Reserve Fund and the Rated Note Reserve Fund	<u>Class B Notes</u> Expenses Deficit, and the amounts credited to the Class A and Class B Liquidity Reserve Fund and the Rated Note Reserve Fund	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class Z Notes</u>	<u>Subordinated Notes</u>	<u>RC1 Residual Certificates</u>	<u>RC2 Residual Certificates</u>
Issue Price:	100%	100%	100%	100%	100%	100%	N/A	N/A
Reference Rate:	Three Month LIBOR*	Three Month LIBOR*	Three Month LIBOR*	Three Month LIBOR*	8% per annum	10% per annum	N/A	N/A
Margin (payable up to and including the Optional Redemption Date)	0.50% p.a.	1.30% p.a.	1.70% p.a.	2.20% p.a.	N/A	N/A	N/A	N/A
Interest Accrual Method:	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	30/360	30/360	N/A	N/A
Interest Payment Dates:	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12th day of March, June, September and December in each year	12 <sup>th</sup> day of March, June, September and December in each year	N/A	N/A
First Interest Payment Date:	September 2017	September 2017	September 2017	September 2017	September 2017	September 2017	N/A	N/A
Final Maturity Date:	The Interest Payment Date falling in June 2054	The Interest Payment Date falling in June 2054	The Interest Payment Date falling in June 2054	The Interest Payment Date falling in June 2054	The Interest Payment Date falling in June 2054	The Interest Payment Date falling in June 2054	N/A	N/A
Step-Up Margin (payable after the Optional Redemption)	0.75% per annum	1.95% per annum	2.55% per annum	3.30% per annum	N/A	N/A	N/A	N/A

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

	<u>Class A Notes</u>	<u>Class B Notes</u>	<u>Class C Notes</u>	<u>Class D Notes</u>	<u>Class Z Notes</u>	<u>Subordinated Notes</u>	<u>RC1 Residual Certificates</u>	<u>RC2 Residual Certificates</u>
Date)								
Optional Redemption Date:	The Interest Payment Date falling in September 2021	The Interest Payment Date falling in September 2021	The Interest Payment Date falling in September 2021	The Interest Payment Date falling in September 2021	The Interest Payment Date falling in September 2021	The Interest Payment Date falling in September 2021	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	N/A	N/A
ISIN:	XS1639772224	XS1639772570	XS1639773115	XS1639773206	XS1639773545	XS1639775839	XS1639888103	XS1639895066
Common Code:	163977222	163977257	163977311	163977320	163977354	163977583	1639888103	1639888103
Ratings (S&P/Moody's):	AAAsf / Aaa(sf)	AAsf / Aaa(sf)	A-sf / Aa2(sf)	BBBsf / A3(sf)	Not rated	Not rated	Not rated	Not rated
Minimum Denomination	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	N/A	N/A
Governing law of the Notes	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 June 2054 (the "**Class A Notes**");
  - Class B Mortgage Backed Floating Rate Notes due June 2054 (the "**Class B Notes**");
  - Class C Mortgage Backed Floating Rate Notes due June 2054 (the "**Class C Notes**");
  - Class D Mortgage Backed Floating Rate Notes due June 2054 (the "**Class D Notes**");
  - Class Z Mortgage Backed Fixed Rate Notes due June 2054 (the "**Class Z Notes**"),
  - Subordinated Fixed Rate Notes due June 2054 (the "**Subordinated Notes**")

and together, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are the "**Rated Notes**". The Rated Notes together with the Class Z Notes and the Subordinated Notes are the "**Notes**" and the holders thereof, the "**Noteholders**".

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

- Residual Certificates:** On the Closing Date, the Issuer will also issue to the Seller the RC1 Residual Certificates and RC2 Residual Certificates under the Trust Deed (the "**Residual Certificates**" and the holders thereof, the "**RC1 Certificateholders**" and the "**RC2 Certificateholders**", respectively and together, the "**Certificateholders**") representing the right to receive the RC1 Payments and the RC2 Payments, respectively, by way of deferred consideration for the Issuer's purchase of the Portfolio.

- Sequential Order:** The Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times.

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

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

The RC1 Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to RC1 Payments at all times and the RC2 Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to RC2 Payments at all times, and are subordinate to all payments due in respect of the Notes.

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

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

**Security:**

Pursuant to a deed of charge made between, among others, the Issuer and the Security Trustee (the "**Deed of Charge**"), the Notes and Residual Certificates will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security.

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

- (a) an assignment by way of security of (and, to the extent not 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, the Deed of Charge, the Scottish Supplemental Charge and the Scottish Declaration of Trust) and any sums derived therefrom (provided that the assignment by way of security of the Issuer's rights under the Swap Agreement shall be subject to any rights of set-off or netting provided for thereunder);
- (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 English Loans and their Related Security and other related rights comprised in the Portfolio (other than in respect of Scottish Loans) and any sums derived therefrom;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit to and under Insurance Policies assigned to the Issuer pursuant to the Mortgage Sale Agreement;



- (d) an assignation in security of the Issuer's beneficial interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Seller over such Scottish Loans and their Related Security for the benefit of the issuer pursuant to the Scottish Declaration of Trust);
- (e) a charge by way of first fixed charge over the Issuer's interest in its bank and/or securities accounts (including the Deposit Account and the Swap Collateral Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;
- (f) an assignment by way of first fixed security of (and, to the extent not assigned, a charge by way of first fixed charge over) (but subject to the right of reassignment) the benefit of the Issuer's rights, title, interest and benefit under the Non-DD Collection Account Trust (created pursuant to the Non-DD Collection Account Declaration of Trust together with the Non-DD Collection Account Accession Undertaking) and the Collection Accounts Trust (created pursuant to the Collection Accounts Declaration of Trust);
- (g) 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 Manager (acting on the instructions of the Servicer) on its behalf; 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 including over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not the subject of the charges referred to above as aforesaid).

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 June 2054 (the "**Final Maturity Date**"), as fully set out in Condition 8.1 (*Redemption at Maturity*);

- mandatory redemption in part on any Interest Payment Date commencing on the first Interest Payment Date but prior to the service of an Enforcement Notice subject to availability of Available Redemption Receipts (to the extent not applied to cover any Senior Expenses Deficit and (in respect of paragraph (e) and (f) below) to pay interest on the Class Z Notes or the Subordinated Notes on or after the Optional Redemption Date or on or after the Final Redemption Date) which shall be applied:
  - (a) first, on a *pari passu* and *pro rata* basis to repay the Class A Notes until they are repaid in full;
  - (b) second, on a *pari passu* and *pro rata* basis to repay the Class B Notes until they are repaid in full;
  - (c) third, on a *pari passu* and *pro rata* basis to repay the Class C Notes until they are repaid in full;
  - (d) fourth, on a *pari passu* and *pro rata* basis to repay the Class D Notes until they are repaid in full;
  - (e) fifth, on a *pari passu* and *pro rata* basis to repay the Class Z Notes until they are repaid in full;
  - (f) sixth, on a *pari passu* and *pro rata* basis to repay the Subordinated Notes until they are repaid in full.
- mandatory redemption of the Notes in full and the cancellation of the Residual Certificates following the exercise by the Option Holder of the Call Option, as fully set out in Conditions 8.3 (*Mandatory Redemption of the Notes in full*) or 8.4 (*Mandatory Redemption for Taxation or Other Reasons*);

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

**Expected Average Lives of the Notes:**

The actual average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Loans and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions as described under "*Weighted Average Lives of the Notes*" below.

**Event of Default:**

As fully set out in Condition 11 (*Events of Default*) and Residual Certificates Condition 10 (*Events of Default*), which includes, among other events, (where relevant, subject to the applicable grace period):

- subject to the deferral provisions in Condition 18 (*Subordination by Deferral*), non-payment of interest and/or principal in respect of the 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;

- 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 holders of 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 (other than any terms of the Transaction Documents which are particular to Scots law which will be construed in accordance with Scots law).

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

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

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

However, so long as no Event of Default has occurred and is continuing, neither the Noteholders nor the Certificateholders are entitled to instruct or direct the Issuer to take any actions, either directly or through the Note Trustee, without the consent of the Issuer and, if applicable, certain other transaction parties, unless the Issuer has an obligation to take such actions under the relevant Transaction Documents.

### Following an Event of Default:

Following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25 per cent. of the Principal Amount Outstanding (or, in the case of a Class of Residual Certificates, 25 per cent. in number of the holders of such Class then in issue) of the Most Senior Class, or if an Extraordinary Resolution of the holders of the Most Senior Class 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 or that all RC1 Payments or RC2 Payments pursuant to the Residual Certificates are immediately due and payable, as applicable. The Note Trustee shall not be bound to take any such action unless first indemnified and/or prefunded and/or secured to its satisfaction.

### Noteholders and Certificateholders Meeting provisions:

	<i>Initial meeting</i>	<i>Adjourned meeting</i>
Notice period:	At least 21 clear days	At least 10 clear days
Quorum:	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than 25 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding	Subject to more detailed provisions of the Trust Deed, one or more persons present and representing in aggregate not less than 10 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding

or representing not less than 25 per cent. of the relevant Class or Classes of Residual Certificates then in issue, as applicable, for transaction of 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 aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 50 per cent. of the relevant Class or Classes of 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 Residual Certificates shall be one or more persons eligible to attend and vote at such meeting holding or representing in aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes and, in the case of the Residual Certificates, holding or representing not less than 75 per cent. of such Class of

or representing not less than 10 per cent. of the relevant Class or Classes of Residual Certificates then in issue, as applicable, for transaction of business including the considering 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 aggregate not less than 25 per cent. of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding or holding or representing not less than 25 per cent. of the relevant Class or Classes of 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 Residual Certificates shall be one or more persons eligible to attend and vote at such meeting holding or representing in aggregate not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes and, in the case of the Residual Certificates, holding or representing not less than 50 per cent. of such Class of

Residual Certificates then in issue, as applicable. Residual Certificates then in issue, as applicable.

Required majority for Ordinary Resolution: A clear majority of persons eligible to attend and vote at such meeting and voting at that meeting upon a show of hands or, if a poll is duly demanded, by a clear majority of the votes cast on such poll (an "**Ordinary Resolution**").

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

Required majority for a written resolution: Not less than 75 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes or not less than 75 per cent. in number of the holders of the relevant Class of Residual Certificates then in issue. A written resolution has the same effect as an Extraordinary Resolution.

**Matters requiring Extraordinary Resolution:**

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

- to sanction or to approve a Basic Terms Modification;
- to sanction any compromise or arrangement proposed to be made between, among others, the Issuer or any other party to any Transaction Document;
- to sanction any abrogation, modification, compromise or arrangement in respect of the rights of, among others, the Note Trustee or any other party to any Transaction Document against any other or others of them or against any of their property whether such rights arise under the Trust Deed, any other Transaction Document or otherwise;
- to approve the substitution of any person for the Issuer as principal debtor under the Notes or the Residual Certificates other than in accordance with Condition 8.4 (*Mandatory Redemption of the Notes for Taxation or Other Reasons*), Condition 13.19 (*Issuer Substitution Condition*) or Residual Certificates Condition 12.17 (*Issuer Substitution Condition*);
- to assent to any modification of the Trust Deed or any other Transaction Document which is proposed by the Issuer or any other party to any Transaction Document or any Noteholder or

Certificateholder, other than those modifications which are sanctioned by the Note Trustee without the consent or sanction of the Noteholders in accordance with the terms of the Trust Deed;

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

See Condition 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 holders of a relevant Class of Notes shall be binding on all other holders of other Classes of Notes which are subordinate to such Class of Notes in the Post-Enforcement 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 remains outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class, or the Note Trustee and/or Security Trustee is of the opinion it would not be materially prejudicial to the interests of the holders of the Most Senior Class.

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 and all other Classes of Notes then outstanding or (in the case of all other Classes of Residual Certificates) in issue, or the Note Trustee and/or Security Trustee is of the opinion it would not be materially prejudicial to the interests of the holders of the Most Senior Class.

A Basic Terms Modification requires 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 and/or Security 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 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 and/or Residual Certificates of only one Class 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 and/or Residual Certificates so affected;
- (b) Notes and/or Residual Certificates of more than one Class but does not give rise to an actual or potential conflict of interest between the holders of such Notes and/or Residual Certificates 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 and/or Residual Certificates of each such Class;



- (c) one or more Classes of Notes and/or Residual Certificates and gives or may give rise to, an actual or potential conflict of interest between the holders of such Notes and/or 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 and/or Residual Certificates so affected;
- (d) one or more Classes of Notes and/or Residual Certificates but does not give rise to, an actual or potential conflict of interest between the holders of such Notes and/or 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 and/or Residual Certificates so affected; and
- (e) two or more Classes of Notes and/or Residual Certificates and gives, or may give, rise to an actual or potential conflict of interest between the holders of such Classes of Notes and/or 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.

**"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 Post-Enforcement 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 Issuer's covenant to pay as set out in 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 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, 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 and/or the Residual Certificates of any Classes are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Classes of Notes and/or Residual Certificates (the **"Relevant Class"**) shall be deemed to remain outstanding or in issue (as the case may be), except that, if there is any other Class of Notes and/or Residual Certificates ranking (with regard to the definition of Most Senior Class) *pari passu* with, or junior to, the Relevant Class and one or more Relevant Persons are not the beneficial owners of all the Notes and/or Residual Certificates of such Class, then the Relevant Class shall be deemed not to remain outstanding and provided that in relation to a matter relating to a Basic Terms Modification any Notes or the Residual Certificates which are for the time being held by or on behalf of or for the benefit of a Relevant Person, in each case as beneficial owner, shall be deemed to remain outstanding or in issue, as applicable.

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

For so long as the Rated Notes are outstanding, the Cash Manager on behalf of the Issuer will publish the monthly investor report detailing, among other things, certain aggregated loan file data in relation to the Portfolio (the **"Investor Report"**). The defined terms used in the Investor Reports shall, by reference, incorporate the defined terms set out generally in the Prospectus and more specifically in the Master Definitions and Construction Schedule. The Investor Report will be published on the website at [usbank.com/abs](http://usbank.com/abs). The Investor Report will be made available to the Servicer and the Servicer will publish it on EuroABS. In addition, for so long as the Rated Notes are outstanding, loan level information will be provided on a quarterly basis. The loan level information will be published on the website at [usbank.com/abs](http://usbank.com/abs) and will be published by the Servicer on EuroABS. Until the Notes are redeemed in full, a cashflow model shall be made available (directly or indirectly) by the Servicer to investors, potential investors and firms that generally provide services to investors.

**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 and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such notice.

- (b) In respect of Notes 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 CASHFLOW

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

### **Available Funds of the Issuer:**

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

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

- (a) all Revenue Receipts or, if in a Determination Period, any Calculated Revenue Receipts, in each case excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date, received by the Issuer:
  - (i) during the immediately preceding Collection Period; or
  - (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security by the Seller pursuant to the Mortgage Sale Agreement, from but excluding the Collection Period Start Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Collection Period Start Date;
- (b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period (other than any amount of interest or income received in respect of any Swap Collateral) and income from any Authorised Investments to be received on or prior to the Interest Payment Date (other than any amount of income received in respect of the Swap Collateral);
- (c) amounts received or to be received by the Issuer under or in connection with the Swap Agreement (other than (i) any early termination amount received by the Issuer under the Swap Agreement, (ii) Swap Collateral, (iii) any Replacement Swap Premium paid to the Issuer, and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date other than, in each case, any Swap Collateral Account Surplus which is to be applied as Available Revenue Receipts in accordance with the Swap Collateral Account Priority of Payments);
- (d) on each Interest Payment Date up to but excluding the Class B Redemption Date, the Class A and Class B Liquidity Reserve Fund Excess Amount;
- (e) on the Class B Redemption Date only, all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund Ledger (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amount in meeting any Class A and Class B Liquidity Deficit

against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments and debiting such amount from the Class A and Class B Liquidity Reserve Fund Ledger);

- (f) on each Interest Payment Date up to and including the Final Redemption Date, the Rated Note Reserve Fund Excess Amount;
- (g) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*);
- (h) amounts credited to the Deposit Account on the previous Interest Payment Date in accordance with item (v) of the Pre-Enforcement Revenue Priority of Payments;
- (i) amounts representing the Optional Purchase Price received by the Issuer upon sale of the Loans and their Related Security comprising the Portfolio further to exercise of the Call Option; and
- (j) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Redemption Receipts;
- (k) amounts determined to be applied as Available Revenue Receipts on the immediately succeeding Interest Payment Date in accordance with item (h) of the Pre-Enforcement Redemption Priority of Payment;

*less:*

- (l) 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 Servicer in respect of its servicing of the Loans, other than the Base Fee and not otherwise covered by the items below;
  - payments of certain insurance premiums in respect of the Block Insurance Policies (to the extent referable to the 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 (l) being collectively referred to herein as "**Third Party Amounts**");

- (m) 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

- (n) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to the DD Collection Account or the Non-DD CMF 2017-1 Collection Account or to pay any amounts due to the Collection Account Bank.

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

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

- (a) all Redemption Receipts or, if in a Determination Period, any Calculated Redemption Receipts, in each case excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, received by the Issuer:
  - (i) during the immediately preceding Collection Period; or
  - (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Collection Period Start Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Collection Period Start Date;
- (b) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class C Principal Deficiency Sub-Ledger and/or the Class D Principal Deficiency Sub-Ledger and/or the Class Z Principal Deficiency Sub-Ledger is to be reduced on that Interest Payment Date;
- (c) any amounts deemed to be Available Redemption Receipts in accordance with item (r) of the Pre-Enforcement Revenue Priority of Payments (the **"Enhanced Amortisation Amounts"**);
- (d) on the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit and then any Rated Note Reserve Fund Release Amount in meeting any Revenue Deficit against the relevant item in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments and debiting such amounts from the Class A and Class B Liquidity Reserve Fund Ledger and/or the Rated Note Reserve Fund Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments, in each case on such Final Redemption Date);
- (e) on each Interest Payment Date following a Determination Period, any

Reconciliation Amounts deemed to be Available Redemption Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*); and

- (f) (in respect of the first Interest Payment Date only) the amount paid into the Deposit Account on the Closing Date from the excess of the proceeds of the Notes (excluding the proceeds of the Subordinated Notes used to establish the Class A and Class B Liquidity Reserve Fund and the Rated Note Reserve Fund) over the Initial Consideration.

**"Optional Redemption Date"** means the Interest Payment Date falling in September 2021.

**"Final Redemption Date"** means the Interest Payment Date in respect of which the Cash Manager determines on the immediately preceding Calculation Date that, following the application on such Interest Payment Date of (i) Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, (ii) any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments and (iii) any Rated Note Reserve Fund Release Amounts in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments, the sum of the Available Redemption Receipts (other than item (d) (and, where such Interest Payment Date falls prior to the Optional Redemption Date, item (c)) of the definition thereof), all amounts standing to the credit of the Rated Note Reserve Fund Ledger and all amounts which (but for the occurrence of the Final Redemption Date) would have been available for application pursuant to items (s) to (w) (inclusive) of the Pre-Enforcement Revenue Priority of Payments would be sufficient to redeem in full the Rated Notes on such Interest Payment Date, including, as the case may be, as a result of the mandatory redemption of the Rated Notes pursuant to Conditions 8.3 (*Mandatory Redemption of the Notes in Full*) or 8.4 (*Mandatory Redemption of the Notes for Taxation or Other Reasons*).

**Summary of Priorities of Payments:**

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

<u>Pre-Enforcement Revenue Priority of Payments:</u>	<u>Pre-Enforcement Redemption Priority of Payments:</u>	<u>Post-Enforcement Priority of Payments:</u>
(a) Amounts due to the Note Trustee and the Security Trustee and any Appointee thereof including charges, liabilities, fees, costs and expenses	(a) Principal Addition Amounts to be applied to meet any Senior Expenses Deficit	(a) Amounts due in respect of the Receiver, the Note Trustee and the Security Trustee and any Appointee thereof including charges, liabilities, fees, costs and expenses
(b) Amounts due to the Agent Bank, the Registrar, the Paying Agent, the Cash Manager, the Servicer, the Back-Up Servicer Facilitator, the Corporate Services Provider, the Issuer Account Bank and the Collection Account Bank, in each case including all fees and costs	(b) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class A Notes	(b) Amounts due in respect of the fees and costs of the Agent Bank, the Registrar, the Paying Agent, the Cash Manager, the Servicer, the Back-Up Servicer Facilitator, the Corporate Services Provider, the Issuer Account Bank, and the Collection Account Bank, in each case including all fees and costs
(c) Third party expenses and any Transfer Costs	(c) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class B Notes	(c) Amounts due to the Swap Provider (including any termination payments to the extent not satisfied by any applicable Replacement Swap Premium and/or any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments but excluding any Hedge Subordinated Amounts)
(d) Amounts due to the Swap Provider (including any termination payments to the extent not satisfied by any applicable Replacement Swap Premium and/or any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments but excluding any Hedge Subordinated Amounts)	(d) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class C Notes	(d) <i>Pro rata</i> and <i>pari passu</i> to the amounts of interest and principal due on the Class A
(e) Issuer Profit Amount	(e) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class D Notes	(e) Issuer Profit Amount
(f) <i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class A Notes	(f) On or after the Optional Redemption Date or the Final Redemption Date, <i>pro rata</i> and <i>pari passu</i> to the interest due on the Class Z Notes	(f) <i>Pro rata</i> and <i>pari passu</i> to the interest due on the Class A Notes
(g) Amounts to be credited to the Class A Principal Deficiency Sub-Ledger	(g) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class Z Notes	(g) Amounts to be credited to the Class A Principal Deficiency Sub-Ledger
	(h) All remaining amounts to be applied as Available Revenue Receipts	(h) All remaining amounts to be applied as Available Revenue Receipts



- Notes
- (h) *Pro rata and pari passu* to the interest due on the Class B Notes
- (i) Amounts to be credited to the Class A and Class B Liquidity Reserve Fund Ledger
- (j) Amounts to be credited to the Class B Principal Deficiency Sub-Ledger
- (k) *Pro rata and pari passu* to the interest due on the Class C Notes
- (l) Amounts to be credited to the Class C Principal Deficiency Sub-Ledger
- (m) *Pro rata and pari passu* to the interest due on the Class D Notes
- (n) Amounts to be credited to the Class D Principal Deficiency Sub-Ledger
- (o) Amounts to be credited to the Rated Note Reserve Fund Ledger
- (p) On each Interest Payment Date other than the Call Option Redemption Date, amounts to be credited to the Class Z Principal Deficiency Sub-Ledger
- (q) Any Hedge Subordinated Amounts (to the extent not satisfied by any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments) due to the Swap Provider
- (r) On or after the Optional Redemption Date or the Final Redemption Date an amount equal to the lesser of (i) all remaining
- (e) *Pro rata and pari passu* to the amounts of interest and principal due on the Class B Notes
- (f) *Pro rata and pari passu* to the amounts of interest and principal due on the Class C Notes
- (g) *Pro rata and pari passu* to the amounts of interest and principal due on the Class D Notes
- (h) On the Final Redemption Date only, an amount equal to all amounts standing to the credit of the Rated Note Reserve Fund to the RC2 Certificateholders
- (i) *Pro rata and pari passu* to the amounts of interest and principal due on the Class Z Notes
- (j) Hedge Subordinated Amounts due to the Swap Provider
- (k) *Pro rata and pari passu* to the amounts of interest and principal due on the Subordinated Notes
- (l) *Pro rata and pari passu* to the amounts due and payable to third parties (if any)
- (m) Issuer Profit Amount
- (n) On any Interest Payment Date prior to

amounts (if any) and (ii) the amount required by the Issuer to pay items (a) to (g) of the Pre-Enforcement Redemption Priority of Payment, less any other Available Redemption Receipts otherwise available to the Issuer, to be applied as Available Redemption Receipts

(but excluding) the Optional Redemption Date all remaining amounts to be applied as RC1 Payments to the RC1 Certificateholders and thereafter, all remaining amounts to be applied as RC2 Payments to the RC2 Certificateholders

- (s) *Pro rata* and *pari passu* to the interest due on the Class Z Notes
- (t) *Pro rata* and *pari passu* to the interest due on the Subordinated Notes
- (u) *Pro rata* and *pari passu* to the principal amounts due on the Subordinated Notes
- (v) on any Interest Payment Date falling within a Determination Period, all remaining amounts to be credited to the Deposit Account to be applied on the next Interest Payment Date as Available Revenue Receipts
- (w) On any Interest Payment Date prior to (but excluding) the Optional Redemption Date, all excess amounts to be applied as RC1 Payments to the RC1 Certificateholders and thereafter, all excess amounts to be applied as RC2 Payments to the RC2 Certificateholders

**General Credit Structure:**

The credit structure of the transaction includes the following elements:

- The availability of the Rated Note Reserve Fund, funded on the Closing Date by part of the proceeds of the Noteholders' subscription of the Subordinated Notes. An amount equal to the Rated Note Reserve Fund Excess Amount will be debited from the Rated Note Reserve Fund and will be applied as

Available Revenue Receipts on each Interest Payment Date. On each Interest Payment Date, to the extent that there would be a Revenue Deficit on such Interest Payment Date, an amount equal to the Rated Note Reserve Fund Release Amounts shall be debited from the Rated Note Reserve Fund Ledger immediately prior to the application of Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date and applied to cure such Revenue Deficit. Any Rated Note Reserve Fund Release Amounts will be applied to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in such order of priority as such items appear in the Pre-Enforcement Revenue Priority of Payments. After the Closing Date, the Rated Note Reserve Fund will be replenished up to the Rated Note Reserve Fund Required Amount on each Interest Payment Date up to and including the Final Redemption Date from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

On the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit and then any Rated Note Reserve Fund Release Amount to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, and debiting such amounts from the Class A and Class B Liquidity Reserve Fund Ledger and/or the Rated Note Reserve Fund Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments, in each case on such Final Redemption Date) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

See the section "*Credit Structure – Rated Note Reserve Fund and Rated Note Reserve Fund Ledger*";

- the availability of the Class A and Class B Liquidity Reserve Fund, funded on the Closing Date by the proceeds of the subscription of the Subordinated Notes. On each Interest Payment Date, to the extent that there would be a Class A and Class B Liquidity Deficit on such Interest Payment Date, an amount equal to the Class A and Class B Liquidity Reserve Fund Release Amounts shall be debited from the Class A and Class B Liquidity Reserve Fund Ledger immediately prior to the application of Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date and applied to meet any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in such order of priority as such items appear in the Pre-Enforcement Revenue Priority of Payments. After the Closing Date on each Interest

Payment Date up to but excluding the Class B Redemption Date, the Class A and Class B Liquidity Reserve Fund Excess Amount will be applied as Available Revenue Receipts and the Class A and Class B Liquidity Reserve Fund will be replenished up to the Class A and Class B Liquidity Reserve Fund Required Amount from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

On the Class B Redemption Date only, all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund Ledger (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amount in meeting any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments and debiting such amount from the Class A and Class B Liquidity Reserve Fund Ledger) will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

See the section "*Credit Structure – Class A and Class B Liquidity Reserve Fund and Class A and Class B Liquidity Reserve Fund Ledger*";

- a Principal Deficiency Ledger will be established to record as a debit any Losses on the Portfolio and Principal Addition Amounts and record as a credit Available Revenue Receipts applied as Available Redemption Receipts (including any amounts in respect of Enhanced Amortisation Amounts) pursuant to the Pre-Enforcement Revenue Priority of Payments (if any). The Principal Deficiency Ledger will comprise the following sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes), the Class B Principal Deficiency Sub-Ledger (relating to the Class B Notes), the Class C Principal Deficiency Sub-Ledger (relating to the Class C Notes), the Class D Principal Deficiency Sub-Ledger (relating to the Class D Notes) and the Class Z Principal Deficiency Sub-Ledger (relating to the Class Z Notes). Any Losses on the Portfolio and/or any Principal Addition Amounts will be recorded as a debit (on the date that the Cash Manager is informed of such Losses by the Servicer or such Principal Addition Amounts are determined by the Cash Manager (as applicable)): (a) first, to the Class Z Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class Z Notes; (b) second, to the Class D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes; (c) third, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes; (d) fourth, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; and (e) fifth, to the

Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes. Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Loan firstly to outstanding fees and interest amounts due and payable on the relevant Loan. The Principal Deficiency Ledger will be credited by the amount of any Available Revenue Receipts applied as Available Redemption Receipts in accordance with items (g), (j), (l), (n) and (on any Interest Payment Date other than the Call Option Redemption Date) (p) of the Pre-Enforcement Revenue Priority of Payments. See the section "*Credit Structure – Principal Deficiency Ledger*" below;

- pursuant to item (r) of the Pre-Enforcement Revenue Priority of Payments, on or after the Optional Redemption Date or the Final Redemption Date, and after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, the Issuer will treat an amount equal to the lesser of (i) all remaining Available Revenue Receipts and (ii) the amount required by the Issuer to pay in full all amounts payable under items (a) to (g) (inclusive) of the Pre-Enforcement Redemption Priority of Payments, less any Available Redemption Receipts (other than item (c) of the definition thereof) otherwise available to the Issuer, as Enhanced Amortisation Amounts and such amounts will be applied as Available Redemption Receipts to be applied in accordance with the Pre-Enforcement Redemption Priority of Payments. Any amounts applied as Enhanced Amortisation Amounts will be recorded as a credit to the Principal Deficiency Ledger. Any amount credited to the Principal Deficiency Ledger in respect of Enhanced Amortisation Amounts will be reduced to the extent of any future Losses arising in respect of the Portfolio;
- pursuant to item (a) of the Pre-Enforcement Redemption Priority of Payments, to the extent that, after application of the Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, the use of any Class A and Class B Liquidity Reserve Fund Release Amount to meet any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments and the use of any Rated Note Reserve Fund Release Amount to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, there is a Senior Expenses Deficit, the Issuer shall apply an amount of Available Redemption Receipts as Principal Addition Amounts to meet any Senior Expenses Deficit, subject to the limitations set out in the definition of Senior Expenses Deficit, against the relevant items in the Pre-Enforcement Revenue Priority of Payments in such order of

priority as such items appear in the Pre-Enforcement Revenue Priority of Payments. Any Available Redemption Receipts applied as Principal Addition Amounts will be recorded as a debit to the Principal Deficiency Ledger;

- the availability of interest provided by the Issuer Account Bank in respect of monies held in the Issuer Accounts and income from any Authorised Investments (other than any amount of interest and/or income received in respect of the Swap Collateral) (see the section "*Cashflows*" for further details); and
- availability of the fixed rate swap provided by the Swap Provider to hedge against the possible variance between the rates of interest payable on the Fixed Rate Loans in the Portfolio and a rate of interest calculated by reference to three month LIBOR or in respect of the first Interest Period the linear interpolation of one and three month LIBOR (see the section "*Credit Structure – Interest Rate Risk for the Notes*" for further details).

**Bank Accounts and Cash Management:**

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

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

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

**Swap Agreement:**

Payments received by the Issuer under certain of the Loans will be subject to fixed rates of interest for an initial period of time. The interest amounts payable by the Issuer in respect of the Rated Notes will be calculated by reference to three-month or in respect of the first Interest Period the linear interpolation of one and three month LIBOR. To hedge against the potential variance between the fixed rates of interest received on certain of the Loans in the Portfolio and the rate of interest payable on the Rated Notes, the Issuer will enter into the Swap Transaction with the Swap Provider under the Swap Agreement.

## TRANSACTION OVERVIEW – TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
<b>Issuer Account Bank:</b>	A short-term unguaranteed, unsecured and unsubordinated debt rating of at least A-1 by S&P (if a short-term unguaranteed, unsecured and unsubordinated debt rating is assigned by S&P) and a long term unguaranteed unsecured and unsubordinated debt rating of at least A by S&P, or should the Issuer Account Bank not benefit from a short-term unguaranteed, unsecured and unsubordinated debt rating of at least A-1 from S&P, a long-term unguaranteed, unsecured and unsubordinated debt rating of at least A+ by S&P and a long-term unguaranteed unsecured and unsubordinated debt rating of at least A3 by Moody's, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Rated Notes (the " <b>Account Bank Rating</b> ").	<p>If the Issuer Account Bank fails to maintain any of the Account Bank Ratings, then the Issuer (with the assistance of the Cash Manager) shall, within 30 calendar days of such downgrade:</p> <ul style="list-style-type: none"> <li>(a) close the Issuer Accounts with such 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;</li> <li>(b) use all reasonable endeavours to obtain a guarantee of the obligations of such Issuer Account Bank under the Bank Account Agreement from a financial institution which has the Account Bank Ratings; or</li> <li>(c) take any other reasonable action as the Rating Agencies may agree will not result in a downgrade of the Rated Notes,</li> </ul> <p>in each case as prescribed in the Bank Account Agreement, and transfer amounts standing to the credit of relevant Issuer Accounts and all Ledgers on the relevant Issuer Accounts to the replacement Issuer Accounts.</p>
<b>Collection Account Bank</b>	A short-term unguaranteed, unsecured and unsubordinated debt rating of at least A-2 by S&P (if a short-term unguaranteed, unsecured and unsubordinated debt rating is assigned by S&P) and a long-term unguaranteed unsecured and unsubordinated debt rating of at least BBB by S&P, or should the Collection Account Bank not benefit from a short-term unguaranteed, unsecured and unsubordinated debt rating of at least A-2 by S&P, a long-term	<p>If the Collection Account Bank fails to maintain any of the Collection Account Bank Ratings, then the Servicer shall assist the Seller to:</p> <ul style="list-style-type: none"> <li>(a) open a replacement collection account in the name of the Seller with a financial institution (i) having a rating of at least the Collection Account Bank Rating, (ii) approved in writing by the</li> </ul>

unguaranteed, unsecured and unsubordinated debt rating of at least BBB+ by S&P, and a long-term unguaranteed unsecured and unsubordinated debt rating of at least Baa3 by Moody's (the "**Collection Account Bank Rating**").

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 within 30 calendar days, 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.

**Swap  
Provider:**

Moody's: (i) A long term counterparty risk assessment from Moody's of A3(cr) or above, or (ii) a senior unsecured debt rating from Moody's of A3 or above (the "**Qualifying Collateral Trigger Rating**").

If the Swap Provider (or its successor or any relevant guarantor) does not have the Qualifying Collateral Trigger Rating and either (a) has not had a Qualifying Collateral Trigger Rating since the Closing Date or (b) at least 30 business days have elapsed since the last time the Swap Provider (or its successor or relevant guarantor) had a Qualifying Collateral Trigger Rating, the Swap Provider must, if required, post collateral and may either (i) transfer its rights and obligations under the Swap Agreement to an appropriately rated replacement third party, or (ii) procure a guarantee from an appropriately rated third party.

A failure by the Swap Provider to take such steps will, in certain circumstances, allow the Issuer to terminate the Swap Agreement.

S&P: The long-term, unsecured, unsubordinated and unguaranteed debt obligations of the swap provider are rated at least as high as the S&P Minimum Counterparty Rating corresponding to the then current rating by S&P of the then highest rated class of Rated Notes, as specified in

If the Swap Provider (or its successor, assignee or any relevant guarantor) does not have the Initial S&P Required Ratings (an "**Initial S&P Rating Event**"), the Swap Provider must, at its own cost: (a) post collateral within 10 business days of the Initial S&P Rating Event (or if an Initial



the table below under the column "Initial S&P Rating Event" in respect of the S&P Option selected by the Swap Provider from time to time (the "**Initial S&P Required Ratings**").

S&P Rating Event has continued since the date the Swap Agreement (or any replacement swap agreement) was entered into, on such date); and (b) may, at its own cost, (i) transfer its rights and obligations under the Swap Agreement to an appropriately rated replacement third party, (ii) procure a co-obligation or guarantee from an appropriately rated third party, or (iii) take such other actions (which may, for the avoidance of doubt, include taking no action) as a result of which the highest rated class of Rated Notes will be rated by S&P at the same level as immediately prior to such Initial S&P Rating Event, **provided that** if required, pending the taking of any of the actions in (b)(i) to (iii) above, the Swap Provider posts collateral as required under (a) above.

A failure by the Swap Provider to take such steps will, in certain circumstances, allow the Issuer to terminate the Swap Agreement.

Moody's: (i) A long term counterparty risk assessment from Moody's of Baa3(cr) or above, or (ii) a senior unsecured debt rating from Moody's of Baa3 or above (the "**Qualifying Transfer Trigger Rating**").

If the Swap Provider (or its successor or any relevant guarantor) does not have the Qualifying Transfer Trigger Rating, the Swap Provider must, at its own cost, use commercially reasonable efforts to, as soon as reasonably practicable (and in any event within 30 business days), either (i) transfer its rights and obligations under the Swap Agreement to an appropriately rated replacement third party, or (ii) procure a guarantee from an appropriately rated third party.

A failure by the Swap Provider to take such steps will, in certain circumstances, allow the Issuer to terminate the Swap Agreement.

S&P: A long-term, unsecured, unsubordinated and unguaranteed debt obligations of an entity are rated at least as high as the S&P Minimum Counterparty Rating corresponding to the then current rating by S&P of the then highest rated class of Rated Notes, as specified in the table below under the column "Subsequent S&P Rating Event" in respect of the S&P Option selected by the Swap Provider from time to time (the "**Subsequent S&P Required Ratings**").

If the Swap Provider (or its successor, assignee or any relevant guarantor) does not have the Subsequent S&P Required Ratings (a "**Subsequent S&P Rating Event**"), the Swap Provider must, (a) post collateral within 10 business days of such Subsequent S&P Rating Event at its own cost, must within 10 business days of the Subsequent S&P Rating Event, and (b) within 30 business days (or 60 business days where S&P Option 4 is selected by the Swap Provider) of the Subsequent S&P Rating Event (i) transfer its rights and obligations

under the Swap Agreement to an appropriately rated replacement third party, (ii) procure a co-obligation or guarantee from an appropriately rated third party, or (iii) take such other actions (which may, for the avoidance of doubt, include taking no action) as a result of which the highest rated class of Rated Notes will be rated by S&P at the same level as immediately prior to such Subsequent S&P Rating Event, **provided that** if required in accordance with the Swap Credit Support Annex, pending the taking of any of the actions in (b)(i) to (iii) above, the Swap Provider posts additional collateral within 10 business days of the Subsequent S&P Rating Event.

A failure by the Swap Provider to take such steps will, in certain circumstances, allow the Issuer to terminate the Swap Agreement.

**S&P Minimum Counterparty Rating**

	S&P Option							
	Option 1		Option 2		Option 3		Option 4	
Current rating of the Rated Notes****	Initial S&P Rating Event	Subsequent S&P Rating Event	Initial S&P Rating Event	Subsequent S&P Rating Event	Initial S&P Rating Event	Subsequent S&P Rating Event	Initial S&P Rating Event	Subsequent S&P Rating Event
AAA	A*	BBB+	A*	A-	A*	A*	NA	A+
AA+	A*	BBB+	A*	A-	A*	A*	NA	A+
AA	A-	BBB+	A*	A-	A*	A*	NA	A+
AA-	A-	BBB**	A-	BBB+	A-	A-	NA	A*
A+	BBB+	BBB**	A-	BBB+	A-	A-	NA	A*
A	BBB+	BBB**	A-	BBB+	A-	A-	NA	At least as high as the rating of the highest rated class of Rated Notes
A-	BBB**	BBB-	BBB+	BBB**	BBB+	BBB+	NA	At least as high as the rating of the highest rated class of Rated Notes

	S&P Option							
	Option 1		Option 2		Option 3		Option 4	
BBB+	BBB**	BBB-	At least as high as the rating of the highest rated class of Rated Notes	BBB**	At least as high as the rating of the highest rated class of Rated Notes	At least as high as the rating of the highest rated class of Rated Notes	NA	At least as high as the rating of the highest rated class of Rated Notes
BBB	BBB-	BB+	At least as high as the rating of the highest rated class of Rated Notes	BBB-	At least as high as the rating of the highest rated class of Rated Notes	At least as high as the rating of the highest rated class of Rated Notes	NA	At least as high as the rating of the highest rated class of Rated Notes
BBB-	At least as high as the rating of the highest rated class of Rated Notes	BB+	At least as high as the rating of the highest rated class of Rated Notes	At least as high as the rating of the highest rated class of Rated Notes	At least as high as the rating of the highest rated class of Rated Notes	At least as high as the rating of the highest rated class of Rated Notes	NA	At least as high as the rating of the highest rated class of Rated Notes
BB+ and below	At least as high as the rating of the highest rated class of Rated Notes	At least as high as the rating of the highest rated class of Rated Notes	At least as high as the rating of the highest rated class of Rated Notes	At least as high as the rating of the highest rated class of Rated Notes	At least as high as the rating of the highest rated class of Rated Notes	At least as high as the rating of the highest rated class of Rated Notes	NA	At least as high as the rating of the highest rated class of Rated Notes
* To meet the minimum eligible rating of "A", the entity should also have a short term rating of "A-1";								
** To meet the minimum eligible rating of "BBB", the entity should also have a short term rating of "A-2"								
*** If the highest rated class of Rated Notes are downgraded by S&P because of either (i) the failure of the Swap Provider to take any action required under the Swap Agreement, or (ii) the downgrade or withdrawal of the rating of Swap Provider, then the current rating will be deemed to be the rating of such Rated Notes immediately prior to such downgrade.								

## Non-Rating Triggers Table

### Perfection Events:

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

- (a) the Seller being required to perfect legal title to the Loans (i) by an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans;
- (b) it becoming necessary by law to take any or all such actions referred to in paragraph (a) above;
- (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy;
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee;
- (e) an Insolvency Event occurring in relation to the Seller; or
- (f) it becoming unlawful in any applicable jurisdiction for the Seller to hold legal title in respect of any Loan in the Portfolio.

If the Loans and their Related Security are sold pursuant to the exercise of the Call Option, the Issuer or (if at the time the Call Option is exercised the Issuer does not hold the Whole Legal Title) the Seller, upon receipt of a direction from the Issuer and at the sole cost and expense of the Issuer, shall promptly transfer the Whole Legal Title in the Loans and their Related Security comprising the Portfolio to the Legal Title Transferee.

### Servicer Termination Events:

The appointment of the Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee) if any of the following events (each a "**Servicer Termination Event**") occurs and is continuing:

- (a) the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and the Servicer fails to remedy it for a period of 30 Business Days after: (i) where the failure to pay has arisen other than as a result of a Disruption Event, the Servicer becoming aware of such default and receipt by the Servicer (with a copy to the

Back-Up Servicer Facilitator) of written notice from the Issuer or (after the delivery of an Enforcement Notice) the Security Trustee requiring the same to be remedied or (ii) where the failure to pay has arisen as a result of a Disruption Event, the cessation of the relevant Disruption Event or, if earlier, 60 Business Days following the Servicer becoming aware of such default and receipt by the Servicer (with a copy to the Back-Up Servicer Facilitator) of written notice from the Issuer or (after the delivery of an Enforcement Notice) the Security Trustee requiring the same to be remedied;

- (b) material non-performance of its other covenants and obligations for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default or of receipt by the Servicer (with a copy to the Back-Up Servicer Facilitator) of written notice from the Issuer or (after the delivery of an Enforcement Notice) the Security Trustee requiring the same to be remedied;
- (c) an Insolvency Event occurring in respect of the Servicer; or
- (d) it becomes unlawful in any applicable jurisdiction for the Servicer to perform any of its obligations as contemplated by the Servicing Agreement, provided that this does not result or arise from compliance by the Servicer with any instruction from the Issuer or the Security Trustee.

In determining whether to give or withhold consent to the termination of the Servicer by the Issuer, the Security Trustee will have regard to factors it deems relevant (including for this purpose, the availability of a substitute servicer and the effect (including any potential regulatory implications) on the Issuer of not having a servicer in place at any time).

The Servicer may also resign upon giving not less than three months' written notice to the Issuer, the Security Trustee and the Back-Up Servicer Facilitator provided that, *inter alia*, a replacement servicer has been appointed by the Issuer (subject to the prior written consent of the Security Trustee).

The resignation of the Servicer is conditional on, *inter alia*:

- (a) (if the Rated Notes remain outstanding) the resignation having 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) a substitute servicer assuming and performing all the material duties and obligations of the Servicer.

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

## TRANSACTION OVERVIEW – FEES

The following table sets out the on-going fees to be paid by the Issuer to the transaction parties.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing fees.	An 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 0.20 per cent. per annum (inclusive of VAT) on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Collection Period Start Date at the start of the immediately preceding Collection Period (the " <b>Base Fee</b> ").	Ahead of all outstanding Notes and Residual Certificates.	Quarterly in arrear on each Interest Payment Date.
Other fees and expenses of the Issuer (including tax and audit costs).	Estimated at £100,000 each year (exclusive of VAT, where so provided in the relevant Transaction Document).	Ahead of all outstanding Notes and Residual Certificates.	Quarterly in arrear on each Interest Payment Date.
Expenses related to the admission to trading of the Notes.	Estimated at €10,000 (exclusive of VAT).	Ahead of all outstanding Notes and Residual Certificates.	On or about the Closing Date.

As at the date of this Prospectus, the standard rate of UK value added tax ("**VAT**") is 20 per cent.

## EU RISK RETENTION REQUIREMENTS

The Seller, as an originator for the purposes of the CRR, the AIFM Regulation and the Solvency II Regulation, will retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of each of Article 405 of the CRR, Article 51 of the AIFM Regulation and Article 254 of the Solvency II Regulation (which, in each case, does not take into account any corresponding national measures). As at the Closing Date, such interest will comprise certain randomly selected exposures as required by the text of each of paragraph (c) of Article 405(1) of the CRR, paragraph (c) of Article 51(1) of the AIFM Regulation and paragraph (c) of Article 254(2) of the Solvency II Regulation. Any change to the manner in which such interest is held will be notified to Noteholders.

Statistical and other information on the Provisional Portfolio as at the Portfolio Reference Date is set out in the section of this Prospectus entitled "*Characteristics of the Provisional Portfolio*". The Seller has, prior to entering into the Mortgage Sale Agreement, identified the Cut-Off Date. Having removed any loans which were no longer eligible or had been redeemed in full as at the Cut-Off Date, the Seller randomly selected the Transaction Portfolio from the Provisional Portfolio, from which an independent third party randomly selected the Retained Loans, having an aggregate nominal value equal to at least 5 per cent. of the nominal value of the Portfolio as at the Cut-Off Date. The Portfolio that will be sold to the Issuer on the Closing Date comprises all loans in the Transaction Portfolio other than the Retained Loans. The Retained Loans and their Related Security will be held by the Seller in compliance with paragraph (c) of Article 405(1) of the CRR, paragraph (c) of Article 51(1) of the AIFM Regulation and paragraph (c) of Article 254(2) of the Solvency II Regulation.

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

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

- (a) retain on an on-going basis, a material net economic interest of not less than 5 per cent. in the nominal value of the securitisation (the "**Retained Exposures**") in accordance with Article 405 of the CRR, Article 51 of the AIFM Regulation, and Article 254 of the Solvency II Regulation (which in each case, does not take into account any corresponding national measures);
- (b) at all relevant times comply with the disclosure obligations imposed on sponsor or originator credit institutions under Article 409 of Part Five of the CRR and provide to each of the Joint Lead Managers and the Issuer access to the data and information referred to in Article 409 of Part Five of the CRR necessary to meet that disclosure obligation, subject always to any requirement of law, provided that the Seller will not be in breach of such undertaking if the Seller fails to so comply due to events, actions or circumstances beyond the Seller's control; and
- (c) not sell, hedge or otherwise mitigate (and shall procure that none of its affiliates shall sell, hedge or otherwise mitigate) the credit risk under or associated with the Retained Exposures except to the extent permitted under the CRR, the AIFM Regulation or the Solvency II Regulation.

As at the Closing Date, such interest will comprise retention of randomly selected exposures equivalent to no less than 5 per cent. of the nominal value of the securitised exposures, where such exposures would otherwise have been securitised in the transaction affected by the Issuer, as required by the text of each of paragraph (c) of Article 405(1) of the CRR, paragraph (c) of Article 51(1) of the AIFM Regulation and paragraph (c) of Article 254(2) of the Solvency II Regulation.

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), Section Five of Chapter III of the AIFM Regulation (including Article 51) and Chapter VIII of Title I of the Solvency II Regulation (including Article 254) and any corresponding national measures which may be relevant and none of the Issuer nor any Relevant Party makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes.

For further information please refer to the Risk Factor entitled "*Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes*" and the section entitled "*The 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 Loans and weighted by the principal amortisation of the Notes on each Interest Payment Date). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of repayment of the Loans in the Portfolio. In addition, the weighted average lives of the Notes, should they not be called on or after the Optional Redemption Date, will be influenced by, *inter alia*, the amount of Available Revenue Receipts used as Enhanced Amortisation Amounts in accordance with item (r) of the Pre-Enforcement Revenue Priority of Payments.

The actual weighted average lives of the Notes cannot be stated, as the ultimate rate of prepayment of the Loans and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions.

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

### Modelling Assumptions:

- (a) no Loan becomes delinquent or is enforced for so long as the Notes remain outstanding;
- (b) no Loan is required to be repurchased by the Seller, whether as a result of a breach of Loan Warranty, as a result of the Loan being a Significant Deposit Loan, or otherwise;
- (c) the Notes are issued on 28 July 2017 and all payments on the Notes are received on the 12th day (without regard to whether such day is a Business Day) of March, June, September and December in each year, with the first Interest Payment Date falling on September 2017;
- (d) the clean-up call is exercised once the aggregate Current Balance of the Loans is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing date;
- (e) no interest accrues on the Deposit Account;
- (f) 3-month LIBOR is equal to 0.30 per cent.;
- (g) the fixed rate under the Swap Agreement is 1.00 per cent.;
- (h) the weighted average margin over 3-month LIBOR of all Rated Notes is 0.89 per cent on the Closing Date and from (and including) the Optional Redemption Date, margins over 3-month LIBOR are multiplied by 1.5;
- (i) no Enforcement Notice is served on the Issuer, no Event of Default has occurred and the Security is not enforced;
- (j) amounts required to pay items (a) to (c) and (e) of the Pre-Enforcement Revenue Priority of Payments on each Interest Payment Date are:
  - (i) £120,000, per annum; and

- (ii) 0.20 per cent. of the aggregate Current Balance of the Loans (excluding any Enforced Loans) as at the immediately preceding Collection Period Start Date, per annum, where each month consists of the actual number of days in the relevant month and 365 days in the relevant year;
- (k) the Swap Agreement is not terminated and the Swap Provider fully complies with its obligations under the Swap Agreement;
- (l) with respect to the Loans and to the Issuer Swap Amount each month consists of 30 calendar days, and each year 360 days and with respect to the Notes and the Swap Provider Swap Amount each month consists of the actual number of days in the relevant month and 365 days in the relevant year;
- (m) the Principal Amount Outstanding of the Notes as at the Closing Date is, in the respect of the Class A Notes 87.50 per cent. and, in respect of the Class B Notes 4.25 per cent and, in respect of the Class C Notes 3.25 per cent and, in respect of the Class D Notes 4.00 per cent and in respect of the Class Z Notes 1.00 per cent, and in respect of the Subordinated Notes 1.98 per cent, of the aggregate current balance of the Loans assuming current balance of the Loans is £300,000,000;
- (n) the Interest Payment Dates for each period are assumed to start and end on the 12th day of each March, June, September and December; and
- (o) no principal is used to pay item (f) of the Pre-Enforcement Redemption Priority of Payments in respect of the payment of interest on the Class Z Notes.

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

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

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

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

**CPR**                      **Estimated average life of the Notes in years assuming the clean-up call is exercised**

	<b>Class A Notes</b>	<b>Class B Notes</b>	<b>Class C Notes</b>	<b>Class D Notes</b>	<b>Class Z Notes</b>
0.0%	9.75	18.03	18.48	19.13	19.64
5.0%	6.54	14.75	15.50	16.42	17.15
10.0%	4.74	12.08	13.03	14.23	15.14
15.0%	3.63	9.96	10.96	11.63	11.63
20.0%	2.89	8.29	9.07	9.13	9.13
25.0%	2.37	6.96	7.38	7.38	7.38
5% then 20% after 12 months	3.50	8.72	9.53	9.63	9.63

**CPR**                      **Estimated average life of the Notes in years assuming the Call Option is exercised on the Optional Redemption Date**

	<b>Class A Notes</b>	<b>Class B Notes</b>	<b>Class C Notes</b>	<b>Class D Notes</b>	<b>Class Z Notes</b>
0.0%	3.88	4.13	4.13	4.13	4.13
5.0%	3.49	4.13	4.13	4.13	4.13
10.0%	3.12	4.13	4.13	4.13	4.13
15.0%	2.78	4.13	4.13	4.13	4.13
20.0%	2.47	4.13	4.13	4.13	4.13
25.0%	2.18	4.13	4.13	4.13	4.13
5% then 20% after 12 months	2.91	4.13	4.13	4.13	4.13

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 and Mandatory Redemption*" above.

## EARLY REDEMPTION OF THE RATED NOTES

The Option Holder may exercise the Call Option granted by the Issuer pursuant to the Deed Poll, requiring the Issuer to sell the Portfolio, provided that if and for so long as the Option Holder is the Seller the Option Holder will not be permitted to exercise the Call Option. The Issuer is not permitted to dispose of the Portfolio in any other circumstances (other than in relation to an enforcement of the Security or the repurchase of a Loan and its Related Security by the Seller pursuant to the Mortgage Sale Agreement).

Pursuant to and subject to the terms of the Deed Poll, the Issuer will grant to the Option Holder the following rights (collectively, the "**Call Option**"), which may be exercised at any time on or after the Optional Purchase Commencement Date:

- (a) the right to require the Issuer to sell and transfer to the Option Holder or a Third Party Purchaser (as identified in the Exercise Notice, the "**Beneficial Title Transferee**") the beneficial title to all (but not some) of the Loans and their Related Security comprising the Portfolio (the "**Whole Beneficial Title**") in consideration for the Optional Purchase Price; and
- (b) the right to require the Issuer to transfer the legal title to all (but not some) of the Loans and their Related Security comprising the Portfolio (the "**Whole Legal Title**"), or if, at the time the Call Option is exercised, the Issuer does not hold legal title, the right to require the Issuer to procure that the Seller transfers legal title, to the Option Holder, a Third Party Purchaser or any nominee of the Option Holder specified as such in the Exercise Notice (as identified in the Exercise Notice, the "**Legal Title Transferee**").

The Call Option may be exercised at any time after the Optional Purchase Commencement Date by notice from the Option Holder to the Issuer, with a copy to the Security Trustee, the Seller and each of the Rating Agencies, (such notice, an "**Exercise Notice**") that the Option Holder wishes to exercise the Call Option, for effect on an Interest Payment Date following the service of the Exercise Notice (the Interest Payment Date identified as the date on which the purchase by the Beneficial Title Transferee of the Whole Beneficial Title and (if applicable) the transfer of the Whole Legal Title to the Legal Title Transferee is expected to be completed pursuant to the terms of the Deed Poll being the "**Optional Purchase Completion Date**").

The sale of the Whole Beneficial Title and (if applicable) the transfer of the Whole Legal Title pursuant to the Call Option shall also be subject to the following conditions:

- (a) either:
  - (i) the Beneficial Title Transferee and (if applicable) the Legal Title Transferee are resident for tax purposes solely in the United Kingdom; or
  - (ii) the Issuer, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs) ("**Tax Advice**"), is satisfied that sale of the Whole Beneficial Title and (if applicable) transfer of the Whole Legal Title will not create or increase any liabilities of the Issuer to United Kingdom tax or any tax imposed by the jurisdiction of the Beneficial Title Transferee and (if applicable) the Legal Title Transferee. The costs relating to such Tax Advice shall be borne by the Option Holder;
- (b) either:
  - (i) the Legal Title Transferee has all the appropriate licences, approvals, authorisations, consents, permissions and registrations (including any approvals, authorisations, consents,

permissions and registrations required to be maintained under the FSMA and any rules and regulations of the FCA) required to administer residential mortgage loans such as the Loans and their Related Security comprising the Portfolio (the "**Relevant Authorisations**"); or

- (ii) the Beneficial Title Transferee has appointed a servicer who has the Relevant Authorisations and that the Seller has confirmed in writing that it will hold legal title to the Loans and their Related Security comprising the Portfolio on trust for Beneficial Title Transferee; and
- (c) the Beneficial Title Transferee shall not be permitted to transfer the beneficial interest in any of the Loans and their Related Security comprising the Portfolio to a further purchaser until the transfer of the Whole Legal Title is perfected unless such transfer of beneficial interest is made to an entity which is within the charge to UK corporation tax.

### **Optional Purchase Price**

The purchase price for the Loans and their Related Security comprising the Portfolio pursuant to the Call Option shall be an amount equal to the greater of:

- (a) the aggregate Current Balance of the Loans (excluding any Enforced Loans) comprising the Portfolio determined as at the Collection Period Start Date immediately preceding the Optional Purchase Completion 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 (u) (inclusive) of the Pre-Enforcement Revenue Priority of Payments and items (a) to (g) (inclusive) of the Pre-Enforcement Redemption Priority of Payments, in each case on the immediately following Interest Payment Date, less any Available Revenue Receipts and Available Redemption Receipts otherwise available to the Issuer, excluding any amounts standing to the credit of (A) the Class A and Class B Liquidity Reserve Fund (to be applied as Available Redemption Receipts on the Optional Purchase Completion Date) and (B) the Rated Note Reserve Fund (to be applied as Available Redemption Receipts on the Optional Purchase Completion Date)),

in each case, plus (i) the Issuer's costs and expenses associated with transferring its interests in any Loan and its Related Security to the Option Holder or its nominee (if any) and (ii) an amount agreed between the Issuer and the Option Holder in respect of costs anticipated to be incurred by the Issuer after the Optional Purchase Completion Date (the "**Optional Purchase Price**").

In connection with the exercise of the Call Option, the Beneficial Title Transferee will agree with the Issuer to (i) deposit an amount equal to the Optional Purchase Price in either an escrow account in the name of the Beneficial Title Transferee or in any other account as may be agreed between the Issuer and the Beneficial Title Transferee; or (ii) provide irrevocable payment instructions for an amount equal to the Optional Purchase Price for value on the Optional Purchase Completion Date to the Deposit Account or such other account as may be agreed between the Issuer and Beneficial Title Transferee, provided that such deposit shall be made or irrevocable payment instructions shall be given no later than (x) two Business Days prior to the Optional Purchase Completion Date or (y) such other date as the Issuer, at its sole discretion and the Beneficial Title Transferee may agree, provided further that the Optional Purchase Price or irrevocable payment instructions (as applicable) must be received by the Issuer in sufficient time to enable the Issuer to provide notice of redemption of the Notes to the Noteholders pursuant to Conditions 8.3 (*Mandatory Redemption of the Notes in Full*) or 8.4 (*Mandatory Redemption of the Notes for Taxation or Other Reasons*) (as applicable); and/or (iii) take any other action as may be agreed by the Beneficial Title Transferee, the Issuer and the Security Trustee in relation to the payment of the Optional Purchase Price.

At the cost of the Option Holder, the Issuer shall serve, or if, at the time the Call Option is exercised, the Issuer does not hold the Whole Legal Title, direct the Seller to serve all relevant notices and take all steps (including carrying out requisite registrations and recordings) in order to effectively vest the Whole Legal Title in the Legal Title Transferee, in each case subject to the terms and conditions set out in the Deed Poll, such notices to be given promptly after the Optional Purchase Completion Date.

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

On the Optional Purchase Completion Date, the Optional Purchase Price will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and will result in the Notes being redeemed in full.

Any Revenue Receipts or Redemption Receipts received by the Issuer from and including the Collection Period Start Date immediately prior to the Optional Purchase Completion Date to and including the Optional Purchase Completion Date (such amounts being "**Optional Purchase Collections**") will be payable to or for the account of the Beneficial Title Transferee and the Issuer shall transfer all such amounts to or for the account of the Beneficial Title Transferee on the Optional Purchase Completion Date, after the payment of which the Residual Certificates will be cancelled.

In this Prospectus:

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

**"Option Holder"** means (a) (where the Class Z Notes are represented by Registered Definitive Notes) the holder of greater than 50 per cent. of the Class Z Notes or (where the Class Z Notes are represented by a Global Note) the Indirect Participant who holds the beneficial interest in more than 50 per cent. of the Class Z Notes or (b) where no person holds (where the Class Z Notes are represented by Registered Definitive Notes) greater than 50 per cent. of the Class Z Notes or (where the Class Z Notes are represented by a Global Note) beneficial interest in more than 50 per cent. of the Class Z Notes, the person who holds the greatest aggregate value of Class Z Notes by Principal Amount Outstanding or, as applicable, beneficial interest in the greatest aggregate value of Class Z Notes by Principal Amount Outstanding.

**"Optional Purchase Commencement Date"** means the earlier of:

- (a) the Collection Period Start Date immediately preceding the Optional Redemption Date; or
- (b) any Collection Period Start Date on which the aggregate Current Balance of the Loans (excluding any Enforced Loans) is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date; or
- (c) any Business Day following the occurrence of a Redemption Event.

**"Third Party Purchaser"** means a third party purchaser of the beneficial title to the Loans and their Related Security as nominated by the Option Holder in the Exercise Notice.

## **USE OF PROCEEDS**

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

On the Closing Date, the Issuer will use part of the proceeds of the Subordinated Notes to:

- (a) establish the Rated Note Reserve Fund; and
- (b) establish the Class A and Class B Liquidity Reserve Fund.

## RATINGS

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

<b>Class of Notes</b>	<b>S&amp;P</b>	<b>Moody's</b>
Class A Notes	AAA(sf)	Aaa(sf)
Class B Notes	AA(sf)	Aaa(sf)
Class C Notes	A-(sf)	Aa2(sf)
Class D Notes	BBB(sf)	A3(sf)
Class Z Notes	NR	NR
Subordinated Notes	NR	NR

The ratings assigned to the Rated Notes by both S&P and Moody's address, *inter alia* (a) the likelihood of full and timely payment to the holders of the Class A Notes, the Class B Notes and, if no Class A Notes or Class B Notes remain outstanding, the Most Senior Class of Notes, of all payments of interest on each Interest Payment Date and (b) the likelihood of ultimate payment to the Rated Noteholders of principal in relation to the Rated Notes on or prior to the Final Maturity Date. The ratings assigned to the Rated Notes by Moody's also address, *inter alia*, the expected loss to a Noteholder in proportion to the Principal Amount Outstanding on the Closing Date of the Class of Notes held by such Noteholder on 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 12 June 2017 (registered number 10814424) 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(b) (Covenants) and Residual Certificates Condition 5(b) (Issuer Covenants).

Under the Companies Act 2006 (as amended), the Issuer's governing documents 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 company under the Companies Act 2006 (as amended) and to the proposed issue of the Notes and Residual Certificates and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. 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 2017.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund Ledger, the Issuer Profit Ledger and the Rated Note Reserve Fund Ledger).

### Directors

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

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director

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

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	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

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 12 June 2017 (registered number 10814356) 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. Intertrust 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 Holdings and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director

The directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their respective occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London EC3A 6AP	Director

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2017.

Holdings has no employees.

## **THE SELLER AND THE SERVICER**

CCFS is a private limited company incorporated in England on 14 November 2008 (registration number 6749498). CCFS operates as a retail savings bank, and is an originator and servicer of residential mortgage loans in the United Kingdom.

CCFS is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 494549. It is an Associate Member of the Council of Mortgage Lenders and the Intermediary Mortgage Lending Association.

CCFS holds and maintains applicable registrations under the Data Protection Act 1998 and the relevant permissions on the FCA's financial services register to carry out relevant mortgage lending activities required under the FSMA.

CCFS has servicer ratings of RSS2 and RPS2 by Fitch Ratings Limited.

CCFS is 100 per cent. owned by Charter Court Financial Services Group Limited, a private limited company established on 1 October 2008 under the laws of England (registration number 6712054). Charter Court Financial Services Group Limited and its affiliated group companies specialise in mortgage origination, mortgage servicing and asset management services.

The registered office of CCFS is at 2 Charter Court, Broadlands, Wolverhampton WV10 6TD.

## **THE CASH MANAGER**

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services D.A.C. (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U. S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the U.K. Branch of Elavon Financial Services D.A.C. from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services D.A.C. is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services D.A.C. is authorised by the Central Bank of Ireland and the activities of its U.K. Branch are also subject to the limited regulation of the U.K. Financial Conduct Authority and Prudential Regulation Authority.

U.S. Bank Global Corporate Trust Services in combination with U. S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp, with \$438 billion in assets as of 30 June 2016, is the parent company of U.S. Bank National Association, the 5th largest commercial bank in the United States of America. The company operates 3,122 banking offices in 25 states and 4,923 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at [usbank.com](http://usbank.com).

## **ISSUER ACCOUNT BANK**

Citibank, N.A. is a national banking association formed through its Articles of Association obtained with its charter 1461, July 17, 1865 and governed by the laws of the United States of America on 17 July 1865 with Charter number 1461, having its principal business office at 388 Greenwich Street, New York, NY 10013, USA, and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with a foreign company number FC001835 and branch number BR001018.

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

## **THE NOTE TRUSTEE AND SECURITY TRUSTEE**

U.S. Bank Trustees Limited is a limited liability company incorporated under the laws of England and Wales with its office at 125 Old Broad Street, London, EC2N 1AR, United Kingdom.

U.S. Bank Trustees limited, as part of the U.S. Bancorp group and in combination with Elavon Financial Services D.A.C. (the legal entity through which European agency and banking appointments are conducted) and U.S. Bank National Association, (the legal entity through which the Corporate Trust Division conducts business in the United States), is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp, with \$438 billion in assets as of 30 June 2016, is the parent company of U.S. Bank National Association, the 5th largest commercial bank in the United States of America. The company operates 3,122 banking offices in 25 states and 4,923 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at [usbank.com](http://usbank.com).



## **THE SWAP PROVIDER**

Lloyds Bank plc ("**Lloyds Bank**") was incorporated under the laws of England and Wales on 20 April 1865 (registration number 2065). Lloyds Bank's registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom, Lloyds Bank is authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the Financial Conduct Authority ("**FCA**") and the PRA. Lloyds Bank is a wholly owned subsidiary of Lloyds Banking Group plc (together with its subsidiary undertakings from time to time, "**Lloyds Banking Group**"). Lloyds Banking Group is a leading UK based financial services group providing a wide range of banking and financial services, primarily in the UK, to individual and business customers. The businesses of Lloyds Banking Group are in or owned by Lloyds Bank. Lloyds Banking Group owns Lloyds Bank directly which in turn owns HBOS plc directly. Additional information, including copies of the most recently publicly available financial results of Lloyds Bank and Lloyds Banking Group, is available from Investor Relations, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN or from the following internet website address: <http://www.lloydsbankinggroup.com/>.

## THE COLLECTION ACCOUNT BANK

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

Barclays Bank PLC (together with its subsidiary undertakings, the "**Bank Group**") is a transatlantic consumer, corporate and investment bank offering products and services across personal, corporate and investment banking, credit cards and wealth management, with a strong presence in the Group's two home markets of the UK and the US. The Bank Group is focused on two core divisions: Barclays UK and Barclays International. Barclays UK comprises the UK retail banking operations, UK consumer credit card business, UK wealth management business and corporate banking for smaller businesses. Barclays International cards business and international wealth management. Assets which do not fit the Bank Group's strategic objectives will continue to be managed in Barclays Non-Core and designated for exist or run-down over time. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC. Barclays PLC is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-2 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term unsecured unsubordinated obligations of Barclays Bank PLC are rated A- by Standard & Poor's Credit Market Services Europe Limited, A1 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Bank Group's audited financial information for the year ended 31 December 2016, the Bank Group had total assets of £1,213,955m (2015: £1,120,727m), total net loans and advances<sup>3</sup> of £436,417m (2015: £441,046m), total deposits<sup>4</sup> of £472,917m (2015: £465,387m), and total shareholders' equity of £70,955m (2015: £66,019m) (including non-controlling interests of £3,522m (2015: £1,914m)). The profit before tax from continuing operations of the Bank Group for the year ended 31 December 2016 was £4,383m (2015: £1,914m) after credit impairment charges and other provisions of £2,373m (2015: £1,762m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Collection Account Bank for the year ended 31 December 2016.

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<sup>3</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>4</sup> Total deposits include deposits from bank and customer accounts.

## **THE CORPORATE SERVICES PROVIDER AND BACK-UP SERVICER FACILITATOR**

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

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

## THE LOANS

### **The Portfolio**

#### **Introduction**

The following is a description of some of the characteristics of the Loans including details of loan types and selected statistical information.

The Seller procured the selection of the Loans for transfer into the Provisional Portfolio, using a system containing defined data on each of the qualifying loans. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that the Seller will make in the Mortgage Sale Agreement in relation to the Loans. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. The Loans selected for transfer into the Provisional Portfolio are representative of the residential loans meeting the selection criteria which the Seller holds immediately prior to the sale of the Portfolio. After a pool of Loans is selected in this way, the constituent Loans are monitored so that they continue to comply with the Loan Warranties on the Closing Date.

Unless otherwise indicated, the description that follows relates to types of loans that could be sold to the Issuer as part of the Portfolio as at the Closing Date.

#### ***The Portfolio***

The Portfolio from time to time after the Closing Date will comprise loans advanced to the Borrowers upon the security of residential property situated in England, Wales or Scotland, such loans acquired pursuant to the Mortgage Sale Agreement and Scottish Declaration of Trust (as applicable), other than Loans which have been repaid or which have been purchased from the Issuer pursuant to the Mortgage Sale Agreement and Scottish Declaration of Trust (as applicable).

#### ***Origination of the Portfolio***

The Portfolio comprises of Loans originated by CCFS under its trading name of Precise Mortgages.

#### ***Security***

All of the Loans are secured by first ranking Mortgages.

#### ***Interest Rate Types***

The Portfolio consists of Loans which have (currently or after an initial specific period) a variable interest rate (the "**Floating Mortgage Rate**") that is based on the London Interbank Offered Rate for Sterling deposits ("**LIBOR**") plus, for each mortgage, a fixed margin expressed as a percentage over the Floating Mortgage Rate, including:

- (i) Loans where the Floating Mortgage Rate continues for a specific period that reverts to a different Floating Mortgage Rate for the life of the mortgage;
- (ii) Loans where the interest rate applicable to that Loan is a fixed rate of interest for a specific period that reverts to a Floating Mortgage Rate; and
- (iii) Loans where the Floating Mortgage Rate continues for the life of the mortgage.

## Characteristics of the Loans

### *Repayment Terms*

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product including free valuations and payment of legal fees. Overpayments are allowed on all products, within certain limits. See "*Overpayments and Early Repayment Charges*" below.

Loans are typically repayable on a repayment basis, where the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid.

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

Principal prepayments may be made in whole or in part at any time during the term of a Loan, subject to the payment of any Early Repayment Charges (as described in "*Overpayments and Early Repayment Charges*" below). A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all accrued interest, arrears of interest, any unpaid expenses and any applicable repayment fee(s).

Various methods are available to Borrowers for making payments on the Loans, including:

- Direct Debit from a bank or building society account; and
- Standing Order from a bank or building society account.

### *Capitalising Arrears*

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

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

- (a) Capitalisation will only be considered as a treatment when:
  - (i) the Servicer understands the relevant Borrower's financial and personal circumstances;
  - (ii) long term affordability has been explored with the relevant Borrower;
  - (iii) all other treatments have been appropriately explored or exhausted with the relevant Borrower;
  - (iv) it is deemed by the relevant Borrower to be in its best interest; and
  - (v) the relevant Borrower has completed an income and expenditure assessment.

- (b) The risks and implications associated with Capitalisation will be clearly articulated to the Borrower prior to capitalising their Arrears. The Borrower will be advised to seek independent advice before deciding if Capitalisation is the right option for them.
- (c) Capitalisation will not be applied automatically.
- (d) In order to be eligible for Capitalisation:
  - (i) the relevant Borrower should have maintained its contractual monthly payments for a minimum of 12 consecutive months and have demonstrated an ability to maintain the higher payments due as a result of the Capitalisation; and
  - (ii) the relevant Borrower must not have had any Arrears capitalised in the preceding 12 months.

The Servicer 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 Servicer shall adhere to the then current regulatory requirements imposed by and/or guidance issued by, without limitation, the FCA and the CCA. See the section entitled "*Risk Factors - Consumer Protection from Unfair Trading Regulations 2008*" for further details.

"**Arrears**" means as at any date in respect of any Loan, all amounts currently due and payable on that Loan which remain unpaid on that date, provided that such overdue amounts equal, in aggregate, one or more full Monthly Instalments.

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

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

For the Loans in the Portfolio, if Borrowers with daily calculations of interest pay more than the scheduled monthly payment, and the sum of the balance of overpayments not applied is equal to or more than 150 per cent. of the Borrower's contractual monthly mortgage payment, the overpayment amount will be applied to the balance on their mortgage loan, which will be reduced accordingly, and, an Early Repayment Charge will be incurred. To the extent the sum of non-allocated overpayment amounts remains below 150 per cent. of the Borrower's then contractual monthly payment, the non-allocated overpayment amounts will remain as a credit arrears position until such point as sufficient further overpayments are received to increase the value to 150%.

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

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

In respect of the Loans comprising the Portfolio, an Early Repayment Charge will be incurred if Borrowers pay more than the scheduled monthly payment, and the sum of the balance of overpayments not applied is equal to or more than 150 per cent. of the Borrower's contractual monthly mortgage payment. See the second paragraph above for further details.

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

Pursuant to and under the terms of the Mortgage Sale Agreement or the Scottish Declaration of Trust (as applicable) dated on or about the Closing Date, the Seller will transfer to the Issuer the equitable or (in respect of the Scottish Loans) beneficial title to the Loans and their Related Security. The Seller has agreed to transfer legal title to the Loans and their Related Security to the Issuer, and the Issuer has undertaken to seek the transfer of legal title, only following the occurrence of a Perfection Event (as set out below).

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

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

Save as mentioned below, the Security Trustee has undertaken not to effect any registration at the Land Registry or the Registers of Scotland (as the case may be) to protect the sale of the Loans to the Issuer or the granting of security over the Loans by the Issuer in favour of the Security Trustee nor, save as mentioned below, to obtain possession of Title Deeds to the properties the subject of the Loans.

Notices of the equitable assignments or declarations of trust in favour of the Issuer and the security in favour of the Security Trustee will not, save as mentioned below, be given to the Borrowers under the Loans (being, in respect of the Scottish Loans, an assignment in security of its interest in and to the Scottish Declaration of Trust and the trust constituted thereunder).

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

- (a) the Seller being required to perfect legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Seller or by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans and their Related Security; or
- (b) it becoming necessary by law to do any or all of the acts referred to in paragraph (a) above; or
- (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy; or
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) an Insolvency Event occurring in relation to the Seller; or

- (f) it becoming unlawful in any applicable jurisdiction for the Seller to hold legal title in respect of any Loan in the Portfolio.

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

### ***Warranties and Breach of Warranties in relation to the Loans***

The Mortgage Sale Agreement contains certain representations and warranties given by the Seller in favour of the Issuer in relation to the Loans and their Related Security sold to the Issuer pursuant to the Mortgage Sale Agreement.

No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer. The Issuer will rely entirely on the benefit of the representations and warranties given to it under the Mortgage Sale Agreement.

If there is an unremedied material breach of any of the Loan Warranties given under the Mortgage Sale Agreement then the Seller is required to repurchase the relevant Loan pursuant to the Mortgage Sale Agreement for consideration in cash equal to the Current Balance of the Loans (disregarding for the purposes of any such calculation the extent to which the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Seller, the amount of any such reduction in the Current Balance) and any repurchase costs on the relevant date of any such repurchase. If a Loan has never existed, or has ceased to exist, such that it is not outstanding on the date on which it is due to be repurchased then the Seller shall indemnify the Issuer and the Security Trustee against any loss, costs or expenses, suffered by reason of any Loan Warranty relating to or otherwise affecting that Loan being untrue or incorrect.

### **Lending Criteria**

As at the date of this Prospectus, Precise offers a number of different products, including first ranking mortgage loans, second ranking mortgage loans and bridging loans. The loans comprised in the Portfolio will all consist of loans secured by (in the case of English Loans) a first charge or (in the case of Scottish Loans) a first ranking standard security against residential properties located in England or Wales (in the case of English Loans) or Scotland (in the case of Scottish Loans). All relevant Borrowers are required to have (in respect of an English Loan) good and marketable title or (in respect of a Scottish Loan) valid and marketable heritable or long lease title to the relevant Property free from any encumbrance (except the relevant Mortgage) which would adversely affect such title.

Save for Title Deeds held at the Land Registry or the Registers of Scotland (as the case may be), all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by the Seller or the Servicer (on behalf of the Seller) or its solicitors or agents and the Title Deeds are held in dematerialised form or are returned to the Borrower's solicitors and in relation to the Title Deeds held at the Registers of Scotland in respect of Properties title to which is recorded in the General Register of Sasines, such Title Deeds are held on the basis that they (other than the dematerialised copies of the Title Deeds) shall be returned to the Seller or the Servicer or its solicitors or agents.

Only properties of suitable construction are considered acceptable as security and properties including (but not limited to) the following are not acceptable to Precise:

- studio flats;



- property where commercial usage exceeds 20 per cent.;
- flats or maisonettes in blocks exceeding 20 storeys;
- mobile homes and houseboats;
- property where saleability may be adversely affected by local planning or by an unsatisfactory mining search; and
- any property deemed unsuitable security by the valuer.

In relation to its residential owner-occupied lending, Precise lends to individuals only and not to companies. Individuals are required to (a) be a national of the UK, (b) be a national of a Member State of the European Economic Area, or (c) otherwise have permanent rights to reside in the UK. Where individuals qualify under either (b) or (c) they are also required to have been a resident in the UK for the last 3 years. Precise does not accept any re-mortgage applications within 12 months of either the original purchase date of the property or the last re-mortgage date.

The maximum single loan amount permitted by Precise is £2,000,000. The maximum term is 35 years. The minimum age of borrowers at the time of application is 21 years old. The maximum age of contributory borrowers at the end of the mortgage term is 75 years old, subject to not exceeding any known and fixed retirement date. Not-contributory applicants (i.e. income not required to support the loan) may be up to 85 years old at the end of the mortgage term.

The loan to value ("**LTV**") in relation to purchases is calculated by dividing the amount of the loan (net of fees) by the current market value determined by the valuation or the purchase price of the property (whichever is the lower). The maximum LTV is 85 per cent. for loan amounts up to £300,000, 80 per cent. for loans over £300,000 up to £500,000, 70 per cent. for loan values over £500,000 up to £1,000,000 and 60 per cent. for loan values over £1,000,000 up to £2,000,000 (net of any amounts added to the loan in respect of fees). In relation to re-mortgages, the maximum LTV available is calculated based on the current market value determined by the valuation. Valuations are carried out in accordance with a valuation methodology as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender.

All borrowers must pass affordability in consideration of the total amount of the loan (i.e. inclusive of application fees).

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

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

- operating the Collection Accounts and ensuring that payments are made into and from the Collection Accounts in accordance with the Servicing Agreement;
- notifying the Borrowers of any change in their Monthly Instalments;
- providing a redemption statement upon the request of a Borrower or the Borrower's solicitor or licensed or qualified conveyancer;
- taking all reasonable steps to recover all sums due to the Issuer, including by the institution of proceedings and/or the enforcement of any Mortgage or any Related Security; and
- taking all action and doing all things which it would be reasonable to expect a Reasonable, Prudent Residential Mortgage Servicer to do in administering its mortgages.

**"Collection Accounts"** means (i) the DD Collection Account, (ii) the Non-DD CMF 2017-1 Collection Account and (iii) the Non-DD Collection Account, and any other replacement or additional collection account of the Seller in respect of which amounts are received in respect of the Loans and their Related Security in the Portfolio.

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

**"DD Collection Account"** means the account held in the name of the Seller with the Collection Account Bank into which amounts received in respect of the Loans arising by way of Direct Debit payments from the Borrowers shall be paid.

**"Non-DD CMF 2017-1 Collection Account"** means the account held in the name of the Seller with the Collection Account Bank into which amounts received in respect of certain of the Loans arising by way of non-Direct Debit payments from the Borrowers shall be paid.

**"Non-DD Collection Account"** means the account held in the name of the Seller with the Collection Account Bank into which amounts received in respect of certain of the Loans arising by way of non-Direct Debit payments from the Borrowers shall be paid.

### ***Enforcement Procedures***

The Servicer has established procedures for managing loans which are in arrears, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. The procedures permit discretion to be exercised by the appropriate officer of the Servicer in many circumstances. These procedures, as from time to time varied in accordance with the practice of a Reasonable, Prudent Residential Mortgage Servicer or with the consent of, *inter alia*, the Issuer and the Security Trustee, are required to be used by the Servicer in respect of arrears arising on the Loans.

**"Reasonable, Prudent Residential Mortgage Servicer"** means a reasonably prudent residential mortgage servicer who is servicing residential mortgage loans and their collateral security in respect of residential property in England, Wales or Scotland and which have in all material respects the same or similar characteristics to the 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 Portfolio or, if the relevant context in this agreement relates to a specific Loan, as ought to have been applied in relation to such Loan.

In order to realise its security in respect of a Property, the relevant mortgagee (be it the legal owner (the Seller), the equitable or, as the case may be, the beneficial owner (the Issuer), the Security Trustee or its appointee (if the Security Trustee has taken enforcement action against the Issuer)) will need to obtain possession. There are two means of obtaining possession for this purpose: first, by taking physical possession (seldom done in practice), and, second, by obtaining a court order.

If a mortgagee or, as applicable, heritable creditor takes physical possession, it will, as mortgagee or, as applicable, heritable creditor in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements.

Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the loan or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the loan and/or mortgage.

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

Property has been obtained, the relevant mortgagee or, as applicable, heritable creditor has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee or, as applicable, heritable creditor at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the relevant mortgagee or, as applicable, heritable creditor to sell the Property within a reasonable time.

### ***Insurance Contracts***

#### ***Buildings Insurance***

Buildings insurance at the date of completion of the relevant Loan is confirmed through the relevant conveyancer confirming the policy number on the relevant certificate of title. After the date of completion of the relevant Loan, to the extent that a Borrower does not maintain buildings insurance, the Seller maintains the following forms of contingency insurance cover:

- **"Properties in Possession Cover"**, being the block properties in possession insurance policy of the Seller, written by Royal Sun Alliance, for any possessed Properties;
- **"Lender Interest Only Cover"**, being a policy of the Seller written by Royal Sun Alliance, whereby the Seller (or the Servicer on its behalf) places Borrowers on such Lender Interest Only Cover when the Seller or Servicer becomes aware that the Borrower's own insurance in respect of the Property referable to its Loan has expired or lapsed. The premium of the Lender Interest Only Cover is charged back to the Borrower on a monthly basis; and
- **"Failure to Insure Cover"**, being a policy of the Seller, written by Royal Sun Alliance, covering all loans originated by the Seller, the premium being paid by the Servicer. The Failure to Insure Cover would pay out if a Borrower's own policy has been cancelled but the Servicer has not been notified of such an event and so Lender Interest Only Cover has not been put in place,

the Properties in Possession Cover, Lender Interest Only Cover and Failure to Insure Cover together being the **"Block Insurance Policies"**.

### **Credit Risk Mitigation**

The Seller has 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 the Seller 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 Loans, please see the information set out in this Prospectus headed *"The Loans – Lending Criteria"* and *"Summary of the Key Transaction Documents – Servicing 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 Portfolio will be serviced in line with the servicing procedures of the Seller and the Servicer – please see further the section of this Prospectus headed *"Summary of the Key Transaction Documents – Servicing Agreement"*);
- (c) diversification of credit portfolios taking into account the Seller's target market and overall credit strategy (as to which, in relation to the Portfolio, please see the section of this Prospectus headed *"Characteristics of the Provisional Portfolio"*); and

- (d) policies and procedures in relation to risk mitigation techniques (as to which, please see further the section of this Prospectus headed "*The Loans – Lending Criteria*" and "*Summary of the Key Transaction Documents – Servicing Agreement*").

### **Governing Law**

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

## CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this Prospectus (including the tables below) has been compiled by reference to loans originated by the Seller in a provisional portfolio (the "**Provisional Portfolio**") and extracted from the systems of the Seller on the Portfolio Reference Date.

As at the Portfolio Reference Date, the Provisional Portfolio comprised of 1,856 loans originated by the Seller between August 2014 and May 2017 and secured over properties located in England, Wales and Scotland. The aggregate Current Balance of the loans in the Provisional Portfolio as at the Portfolio Reference Date was £320,048,385.84. Having removed any loans which were no longer eligible or had been redeemed in full as at the Cut-Off Date, the Seller randomly selected the Transaction Portfolio from the Provisional Portfolio, from which an independent third party randomly selected the Retained Loans, having an aggregate nominal value equal to at least 5 per cent. of the nominal value of the Portfolio as at the Cut-Off Date. The Portfolio that will be sold to the Issuer on the Closing Date comprises all loans in the Transaction Portfolio other than the Retained Loans. The Retained Loans and their Related Security will be held by the Seller in compliance with paragraph (c) of Article 405(1) of the CRR, paragraph (c) of Article 51(1) of the AIFM Regulation and paragraph (c) of Article 254(2) of the Solvency II Regulation (see "*EU Risk Retention Requirements*" for further information). Columns may not add up to 100 per cent. due to rounding. The Properties over which the loans in the Provisional Portfolio are secured have not been revalued for the purposes of the issue of the Notes. The characteristics of the Portfolio will differ from those set out below as a result of, among other things, repayments and redemptions of loans in the Provisional Portfolio from the Portfolio Reference Date to the Closing Date and removal of any loans that do not comply with the Loan Warranties as at the Closing Date. If loans selected for the Portfolio are repaid in full between the Cut-Off Date and the Closing Date, the principal recoveries from that loan will form part of the Available Redemption Receipts. Except as otherwise indicated, these tables have been prepared using the Current Balance of each loan in the Provisional Portfolio as at the Portfolio Reference Date, which includes all principal and accrued interest for the loans in the Provisional Portfolio.

## Summary table of the Provisional Portfolio as at the Portfolio Reference Date

Portfolio Reference Date:	31 May 2017
Current Balance (£):	320,048,385.84
No. of accounts:	1,856
Average Current Balance (£):	172,439.86
First legal mortgage / first ranking standard security %:	100%
Weighted average Original Loan to Value Ratio %:	70.92%
Weighted average Current Loan to Value Ratio %:	69.65%
Weighted average interest rate %:	4.31%
Weighted average spread over 3-month LIBOR (post reversion):	4.35%
Repayment Loans (as % of Current Balance):	100%
Weighted average seasoning (months):	9.79
Weighted average remaining term (years):	24.83
Arrears (as % of Current Balance):	-
Full property valuation (as % of Current Balance):	100%
Self-employed borrowers (as % of Current Balance):	42.49%
Owner-occupied properties (as % of Current Balance):	100%
First time buyer (as % of Current Balance):	30.43%
Home purchase Loans (as % of Current Balance):	74.48%
Refinance Loans (as % of Current Balance):	25.52%

### Current Balances

The following table shows the distribution of Loans by their Current Balance as determined in respect of each Loan on the Portfolio Reference Date.

<u>Current Balance</u>	<u>Aggregate Current Balance (£)</u>	<u>% of total</u>	<u>Number of Loans</u>	<u>% of total</u>
<= 70,000	7,240,173.60	2.26	131	7.06
70,000 < x <= 90,000	11,415,804.67	3.57	142	7.65
90,000 < x <= 110,000	20,077,239.40	6.27	200	10.78
110,000 < x <= 130,000	22,212,512.05	6.94	185	9.97
130,000 < x <= 150,000	29,839,806.58	9.32	213	11.48
150,000 < x <= 170,000	29,759,409.25	9.30	186	10.02
170,000 < x <= 190,000	30,888,126.34	9.65	172	9.27
190,000 < x <= 210,000	25,057,964.99	7.83	126	6.79
210,000 < x <= 230,000	24,972,079.93	7.80	114	6.14
230,000 < x <= 600,000	113,724,456.68	35.53	381	20.53
> 600,000	4,860,812.35	1.52	6	0.32
<b>Totals.....</b>	<b>320,048,385.84</b>	<b>100.00</b>	<b>1,856</b>	<b>100.00</b>

The minimum, maximum and average Current Balance of the Loans as of the Portfolio Reference Date £24,953.85, £957,624.23 and £172,439.86, respectively

### Original Loan to Value Ratios

The following table shows the range of "Original Loan to Value Ratios" or "OLTV Ratios", which express the original balance of each Loan as at the Portfolio Reference Date divided by the original valuation of the Property securing that Loan.

<b>OLTV Ratios (%)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of total</b>	<b>Number of Loans</b>	<b>% of total</b>
<= 55.00	42,430,946.01	13.26	321	17.30
55.00 < x <= 60.00	14,072,536.84	4.40	84	4.53
60.00 < x <= 62.00	10,377,716.89	3.24	53	2.86
62.00 < x <= 64.00	8,729,117.84	2.73	47	2.53
64.00 < x <= 66.00	11,039,704.74	3.45	56	3.02
66.00 < x <= 68.00	8,359,146.02	2.61	48	2.59
68.00 < x <= 70.00	11,724,528.53	3.66	60	3.23
70.00 < x <= 72.00	20,743,991.64	6.48	101	5.44
72.00 < x <= 74.00	14,816,581.11	4.63	83	4.47
74.00 < x <= 76.00	59,711,972.48	18.66	318	17.13
76.00 < x <= 78.00	7,643,547.38	2.39	47	2.53
78.00 < x <= 80.00	15,488,634.28	4.84	73	3.93
80.00 < x <= 82.00	32,010,159.09	10.00	164	8.84
82.00 < x <= 84.00	9,731,803.51	3.04	53	2.86
84.00 < x <= 86.00	51,553,744.78	16.11	326	17.56
86.00 < x <= 87.00	1,614,254.70	0.50	22	1.19
<b>Totals.....</b>	<b>320,048,385.84</b>	<b>100.00</b>	<b>1,856</b>	<b>100.00</b>

The minimum, maximum and weighted average Loan to Value Ratio at origination of the Loans as of the Portfolio Reference Date is 6.96%, 86.48% and 70.92%, respectively.

### Current Loan to Value Ratios

The following table shows the range of "Current Loan to Value Ratios" or "CLTV Ratios", which are calculated by dividing the Current Balance of a Loan as at the Portfolio Reference Date by the original valuation of the Property securing that Loan.

<b>CLTV Ratios (%)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of total</b>	<b>Number of Loans</b>	<b>% of total</b>
<= 55.00	45,743,310.19	14.29	344	18.53
55.00 < x <= 60.00	17,263,721.64	5.39	100	5.39
60.00 < x <= 62.00	10,410,704.59	3.25	52	2.80
62.00 < x <= 64.00	7,620,254.00	2.38	40	2.16
64.00 < x <= 66.00	11,490,731.45	3.59	60	3.23
66.00 < x <= 68.00	12,069,771.61	3.77	61	3.29
68.00 < x <= 70.00	18,906,098.42	5.91	89	4.80
70.00 < x <= 72.00	15,613,442.28	4.88	85	4.58
72.00 < x <= 74.00	25,244,810.12	7.89	131	7.06
74.00 < x <= 76.00	43,945,866.40	13.73	249	13.42
76.00 < x <= 78.00	12,979,426.41	4.06	65	3.50
78.00 < x <= 80.00	28,938,893.37	9.04	141	7.60
80.00 < x <= 82.00	14,221,332.65	4.44	83	4.47
82.00 < x <= 84.00	24,068,576.77	7.52	150	8.08
84.00 < x <= 86.00	31,531,445.94	9.85	206	11.10
<b>Totals.....</b>	<b>320,048,385.84</b>	<b>100.00</b>	<b>1,856</b>	<b>100.00</b>

The minimum, maximum and weighted average Current Loan to Value Ratio of the Loans as of the Portfolio

Reference Date is 6.92%, 85.01% and 69.65%, respectively.

### ***Geographical distribution***

The following table shows the regional distribution of Properties securing the Loans throughout England, Wales and Scotland (the region of a Property in respect of a Loan determined as at the Portfolio Reference Date of such Loan).

<b>Region</b>	<b>Aggregate Current Balance (£)</b>	<b>% of total</b>	<b>Number of Loans</b>	<b>% of total</b>
East Anglia	48,189,609.85	15.06	252	13.58
East Midlands	25,968,551.74	8.11	174	9.38
South East incl. London	111,457,394.04	34.83	490	26.40
North East	10,932,966.48	3.42	79	4.26
North West	27,076,896.01	8.46	196	10.56
Scotland	11,262,972.32	3.52	88	4.74
South West	30,004,068.82	9.37	176	9.48
Wales	8,656,068.30	2.70	72	3.88
West Midlands	28,075,846.74	8.77	184	9.91
Yorks and Humber	18,424,011.54	5.76	145	7.81
<b>Totals.....</b>	<b>320,048,385.84</b>	<b>100.00</b>	<b>1,856</b>	<b>100.00</b>

### ***Year of origination***

The following table shows the distribution of Loans by year of origination.

<b>Year of origination</b>	<b>Aggregate Current Balance (£)</b>	<b>% of total</b>	<b>Number of Loans</b>	<b>% of total</b>
2014	306,316.43	0.10	4	0.22
2015	36,452,526.80	11.39	217	11.69
2016	210,860,928.72	65.88	1215	65.46
2017	72,428,613.89	22.63	420	22.63
<b>Totals.....</b>	<b>320,048,385.84</b>	<b>100.00</b>	<b>1,856</b>	<b>100.00</b>

### ***Years to maturity of Loans***

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

<b>Years to maturity (in years)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of total</b>	<b>Number of Loans</b>	<b>% of total</b>
<= 15	25,908,612.06	8.10	222	11.96
15 < x <= 17	13,792,508.33	4.31	91	4.90
17 < x <= 20	36,498,657.93	11.40	220	11.85
20 < x <= 22	20,042,470.54	6.26	106	5.71
22 < x <= 24	35,651,250.46	11.14	196	10.56
24 < x <= 26	44,359,272.68	13.86	255	13.74
26 < x <= 28	17,856,558.94	5.58	98	5.28
28 < x <= 30	78,974,608.01	24.68	423	22.79
>30	46,964,446.89	14.67	245	13.20
<b>Totals.....</b>	<b>320,048,385.84</b>	<b>100.00</b>	<b>1,856</b>	<b>100.00</b>



The minimum, maximum and weighted average remaining term of the Loans as of the Portfolio Reference Date is 3.99, 35.00 and 24.83 years, respectively.

***Interest rate types***

The following table shows the distribution of the interest rate types of the Loans (the interest type of each Loan determined as at the Portfolio Reference Date).

<b><u>Interest Rate Type</u></b>	<b><u>Aggregate Current Balance (£)</u></b>	<b><u>% of total</u></b>	<b><u>Number of Loans</u></b>	<b><u>% of total</u></b>
Fixed Rate Loan reverting to LIBOR	272,470,261.23	85.13	1602	86.31
Floating Rate Loan linked to LIBOR	47,578,124.61	14.87	254	13.69
<b>Totals.....</b>	<b><u><u>320,048,385.84</u></u></b>	<b><u><u>100.00</u></u></b>	<b><u><u>1,856</u></u></b>	<b><u><u>100.00</u></u></b>

### ***Current interest rate***

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

<b>Interest rate (%)</b>	<b>Aggregate Current Balance (£)</b>	<b>% of total</b>	<b>Number of Loans</b>	<b>% of total</b>
<= 3.0	452,396.26	0.14	1	0.05
3.00 < x <= 3.50	18,956,271.93	5.92	90	4.85
3.50 < x <= 4.00	99,003,465.81	30.93	533	28.72
4.00 < x <= 4.50	98,289,696.06	30.71	579	31.20
4.50 < x <= 5.00	76,492,208.05	23.90	470	25.32
5.00 < x <= 5.50	15,888,355.85	4.96	106	5.71
5.50 < x <= 7.00	10,965,991.88	3.43	77	4.15
<b>Totals.....</b>	<b>320,048,385.84</b>	<b>100.00</b>	<b>1,856</b>	<b>100.00</b>

The minimum, maximum and weighted average current interest rate as of the Portfolio Reference Date is 2.75%, 6.54% and 4.31%, respectively.

### ***Reversion Date***

The following table shows the distribution of reversion dates as at the Portfolio Reference Date.

<b>Reversion Date</b>	<b>Aggregate Current Balance (£)</b>	<b>% of total</b>	<b>Number of Loans</b>	<b>% of total</b>
No reversion date	15,640,116.08	4.89	95	5.12
2017	25,045,506.28	7.83	137	7.38
2018	152,573,727.98	47.67	862	46.44
2019	44,497,899.75	13.90	254	13.69
2020	16,884,170.63	5.28	103	5.55
2021	11,949,050.24	3.73	71	3.83
2022	53,457,914.88	16.70	334	18.00
<b>Totals.....</b>	<b>320,048,385.84</b>	<b>100.00</b>	<b>1,856</b>	<b>100.00</b>

## CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The UK housing market is primarily one of owner-occupied housing, with the remainder in some form of public, private landlord or social ownership. The mortgage market, whereby loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the United Kingdom.

Set out in the following tables are certain characteristics of the United Kingdom mortgage market. No assurance can be given that the Loans in the Portfolio are or will be representative of the information set out in the tables or generally to the performance of the UK housing market. For information relating to the loans contained in the Provisional Portfolio (from which the Portfolio will be selected), see further the section entitled "*Characteristics of the Provisional Portfolio*".

### *Industry CPR rates*

In the following tables, quarterly industry constant repayment rate ("**industry CPR**") data was calculated by dividing the amount of scheduled and unscheduled repayments of mortgages made by banks, building societies and other specialist mortgage lenders in a quarter by the quarterly balance of mortgages outstanding for banks and building societies and other specialist mortgage lenders in the United Kingdom. These quarterly repayment rates were then annualised using standard methodology.

<b>Quarter</b>	<b>Industry CPR Rate for the Quarter</b>	<b>12-month rolling average</b>
September 2005	22.10%	-
December 2005	22.24%	-
March 2006	20.03%	-
June 2006	21.64%	21.50%
September 2006	22.55%	21.61%
December 2006	22.28%	21.63%
March 2007	20.82%	21.82%
June 2007	21.96%	21.90%
September 2007	22.15%	21.80%
December 2007	20.10%	21.26%
March 2008	18.22%	20.61%
June 2008	18.67%	19.78%
September 2008	16.80%	18.44%
December 2008	13.40%	16.77%
March 2009	10.72%	14.90%
June 2009	9.97%	12.72%
September 2009	10.88%	11.24%
December 2009	10.78%	10.59%
March 2010	9.27%	10.23%
June 2010	10.23%	10.29%
September 2010	10.70%	10.25%
December 2010	10.40%	10.15%
March 2011	9.51%	10.21%
June 2011	10.10%	10.18%
September 2011	11.36%	10.34%
December 2011	10.83%	10.45%
March 2012	10.00%	10.57%
June 2012	10.24%	10.61%
September 2012	10.56%	10.41%
December 2012	10.80%	10.40%
March 2013	10.45%	10.51%
June 2013	11.98%	10.95%

September 2013	13.51%	11.69%
December 2013	13.88%	12.46%
March 2014	12.64%	13.01%
June 2014	13.33%	13.34%
September 2014	14.23%	13.52%
December 2014	13.36%	13.39%
March 2015	12.15%	13.27%
June 2015	13.15%	13.22%
September 2015	14.29%	13.24%
December 2015	14.56%	13.54%
March 2016	14.34%	14.08%
June 2016	14.14%	14.33%
September 2016	14.92%	14.49%
December 2016	14.46%	14.47%
March 2017	13.95%	14.37%

Source of repayment and outstanding mortgage information: Council of Mortgage Lenders and Bank of England

### ***Repossession Rate***

The table below sets out the repossession rate of residential properties in the United Kingdom since 1985.

<b>Year</b>	<b>Repossessions</b>	<b>Year</b>	<b>Repossessions</b>	<b>Year</b>	<b>Repossessions</b>
1985.....	0.25%	1996.....	0.40%	2007.....	0.22%
1986.....	0.30%	1997.....	0.31%	2008.....	0.34%
1987.....	0.32%	1998.....	0.31%	2009.....	0.43%
1988.....	0.22%	1999.....	0.27%	2010.....	0.34%
1989.....	0.17%	2000.....	0.20%	2011.....	0.33%
1990.....	0.47%	2001.....	0.16%	2012.....	0.30%
1991.....	0.77%	2002.....	0.11%	2013.....	0.26%
1992.....	0.69%	2003.....	0.07%	2014.....	0.19%
1993.....	0.58%	2004.....	0.07%	2015.....	0.09%
1994.....	0.47%	2005.....	0.12%	2016.....	0.07%
1995.....	0.47%	2006.....	0.18%		

Source: Council of Mortgage Lenders

### ***House Price to Earnings Ratio***

The following table shows the ratio for each year of the average annual value of houses compared to the average annual salary in the United Kingdom. The average annual earnings figures are constructed using the annual survey of hours and earnings figures published by the Office for National Statistics referring to weekly earnings in April of each year for those male employees whose earnings were not affected by their absence from work. While this is indicative of housing affordability, it does not take into account the fact that the majority of households have more than one income to support a mortgage loan.

<b>Year</b>	<b>House Price to Earnings Ratio</b>	<b>Year</b>	<b>House Price to Earnings Ratio</b>
1994.....	4.49	2005.....	7.73
1995.....	4.32	2006.....	7.96
1996.....	4.29	2007.....	8.34
1997.....	4.42	2008.....	7.68
1998.....	4.55	2009.....	7.01
1999.....	4.86	2010.....	7.24
2000.....	5.42	2011.....	6.98
2001.....	5.58	2012.....	6.91
2002.....	6.27	2013.....	7.01
2003.....	7.03	2014.....	7.47
2004.....	7.54	2015.....	7.73
		2016.....	8.08

Source: Council of Mortgage Lenders

### ***House Price Index***

UK residential property prices can be measured by, among other indexes, the non-seasonally adjusted Nationwide House Price Index (a national house price index that is derived from Nationwide lending data for properties at the post survey approval stage). Nationwide is a UK building society.

The UK housing market has been through various economic cycles in the recent past, with year-to-year increases in the Nationwide House Price Index occurring in the late 1990s to the late 2000s and decreases occurring in the early 1990s and from 2008 to 2012.

<b>Quarter</b>	<b>Retail Price Index</b>		<b>Nationwide House Price Index</b>	
	<b>Index</b>	<b>% annual change</b>	<b>Index</b>	<b>% annual change</b>
March 1989.....	111.7	7.7	118.8	32.0
June 1989.....	114.9	8.2	124.2	27.2
September 1989.....	116.0	7.7	125.2	15.5
December 1989.....	118.3	7.6	122.7	7.4
March 1990.....	120.4	7.8	118.9	0.1
June 1990.....	126.0	9.6	117.7	-5.2
September 1990.....	128.1	10.4	114.2	-8.8
December 1990.....	130.1	10.0	109.6	-10.7
March 1991.....	130.8	8.7	108.8	-8.5
June 1991.....	133.6	6.0	110.6	-6.0
September 1991.....	134.2	4.8	109.5	-4.1
December 1991.....	135.5	4.2	107.00	-2.3
March 1992.....	136.2	4.1	104.1	-4.3
June 1992.....	139.1	4.2	105.1	-5.0

<b>Quarter</b>	<b>Retail Price Index</b>		<b>Nationwide House Price Index</b>	
	<b>Index</b>	<b>% annual change</b>	<b>Index</b>	<b>% annual change</b>
September 1992 .....	139.0	3.6	104.2	-4.8
December 1992.....	139.6	3.1	100.1	-6.5
March 1993.....	138.7	1.8	100.0	-3.9
June 1993.....	140.9	1.3	103.6	-1.4
September 1993 .....	141.3	1.6	103.2	-1.0
December 1993.....	141.8	1.6	101.8	1.8
March 1994.....	142.0	2.4	102.4	2.4
June 1994.....	144.5	2.6	102.5	-1.1
September 1994 .....	144.6	2.3	103.2	0.0
December 1994.....	145.5	2.6	104.0	2.1
March 1995 .....	146.8	3.4	101.9	-0.5
June 1995.....	149.5	3.4	103.0	0.5
September 1995 .....	149.9	3.7	102.4	-0.8
December 1995.....	150.1	3.2	101.6	-2.3
March 1996.....	150.9	2.8	102.5	0.6
June 1996.....	152.8	2.2	105.8	2.7
September 1996 .....	153.1	2.1	107.7	5.2
December 1996.....	154.0	2.6	110.1	8.3
March 1997 .....	154.9	2.7	111.3	8.6
June 1997.....	156.9	2.6	116.5	10.1
September 1997 .....	158.4	3.5	121.2	12.5
December 1997.....	159.7	3.7	123.3	12.1
March 1998 .....	160.2	3.4	125.5	12.7
June 1998.....	163.2	4.0	130.1	11.7
September 1998 .....	163.7	3.3	132.4	9.2
December 1998.....	164.4	3.0	132.3	7.3
March 1999 .....	163.7	2.2	134.6	7.3
June 1999.....	165.5	1.4	139.7	7.3
September 1999 .....	165.6	1.2	144.4	9.0
December 1999.....	166.8	1.5	148.9	12.6
March 2000.....	167.5	2.3	155.0	15.1
June 2000.....	170.6	3.1	162.0	16.0
September 2000 .....	170.9	3.2	161.5	11.8
December 2000.....	172.0	3.1	162.8	9.4
March 2001 .....	171.8	2.6	167.5	8.1
June 2001.....	173.9	1.9	174.8	7.9
September 2001 .....	174.0	1.8	181.6	12.5
December 2001.....	173.8	1.0	184.6	13.4
March 2002.....	173.9	1.2	190.2	13.6
June 2002.....	176.0	1.2	206.5	18.1
September 2002 .....	176.6	1.5	221.1	21.7
December 2002.....	178.2	2.5	231.3	25.3
March 2003 .....	179.2	3.0	239.3	25.8
June 2003.....	181.3	3.0	250.1	21.1
September 2003 .....	181.8	2.9	258.9	17.1
December 2003.....	182.9	2.6	267.1	15.5
March 2004 .....	183.8	2.6	277.3	15.9
June 2004.....	186.3	2.8	296.2	18.4
September 2004 .....	187.4	3.1	306.2	18.3
December 2004.....	189.2	3.4	304.1	13.9
March 2005 .....	189.7	3.2	304.8	9.9

Quarter	Retail Price Index		Nationwide House Price Index	
	Index	% annual change	Index	% annual change
June 2005.....	191.9	3.0	314.2	6.1
September 2005.....	192.6	2.8	314.4	2.7
December 2005.....	193.7	2.4	314.0	3.2
March 2006.....	194.2	2.4	319.8	4.9
June 2006.....	197.6	3.0	329.2	4.8
September 2006.....	199.3	3.5	336.1	6.9
December 2006.....	201.4	4.0	343.2	9.3
March 2007.....	203.0	4.5	350.2	9.5
June 2007.....	206.3	4.4	362.7	10.2
September 2007.....	207.1	3.9	367.3	9.3
December 2007.....	209.8	4.2	367.0	6.9
March 2008.....	211.1	4.0	357.8	2.2
June 2008.....	215.3	4.4	348.1	-4.0
September 2008.....	217.4	5.0	329.5	-10.3
December 2008.....	215.5	2.7	312.9	-14.7
March 2009.....	210.9	-.1	298.7	-16.5
June 2009.....	212.6	-1.3	307.3	-11.7
September 2009.....	214.4	-1.4	319.5	-3.0
December 2009.....	216.9	.6	323.4	3.4
March 2010.....	219.3	4.0	324.9	8.8
June 2010.....	223.5	5.1	336.6	9.5
September 2010.....	224.5	4.7	333.9	4.5
December 2010.....	227.0	4.7	325.1	0.5
March 2011.....	230.9	5.3	323.9	-0.3
June 2011.....	234.9	5.1	332.7	-1.2
September 2011.....	236.2	5.2	332.3	-0.5
December 2011.....	238.6	5.1	328.7	1.1
March 2012.....	239.6	3.8	324.6	0.2
June 2012.....	242.2	3.1	329.1	-1.1
September 2012.....	243.1	2.9	327.0	-1.6
December 2012.....	246.0	3.1	325.0	-1.1
March 2013.....	247.4	3.3	325.3	0.2
June 2013.....	249.7	3.1	333.7	1.4
September 2013.....	250.9	3.2	341.0	4.3
December 2013.....	252.5	2.6	348.0	7.1
March 2014.....	253.9	2.6	355.3	9.2
June 2014.....	256.0	2.5	372.1	11.5
September 2014.....	256.9	2.4	376.7	10.5
December 2014.....	257.4	1.9	377.0	8.3
March 2015.....	256.4	1.0	376.2	5.9
June 2015.....	258.5	1.0	387.5	4.1
September 2015.....	259.3	0.9	390.5	3.7
December 2015.....	260.0	1.0	393.1	4.3
March 2016.....	260.0	1.4	396.1	5.3
June 2016.....	262.2	1.4	407.4	5.1
September 2016.....	264.2	1.9	411.6	5.4
December 2016.....	265.8	2.2	410.8	4.5
March 2017.....	267.7	3.0	412.3	4.1

Source: Office for National Statistics and Nationwide Building Society, respectively

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## SUMMARY OF THE KEY TRANSACTION DOCUMENTS

### Mortgage Sale Agreement

#### *Portfolio*

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

- (a) sell, assign or otherwise transfer to the Issuer pursuant to the Mortgage Sale Agreement a portfolio of English and Welsh residential mortgage loans each secured by an English Mortgage and, where applicable, other Related Security (the "**English Loans**"); and
- (b) sell, assign or otherwise transfer to the Issuer pursuant to the Mortgage Sale Agreement and hold a portfolio of Scottish residential mortgage loans each secured by a Scottish Mortgage and, where applicable, other Related Security (the "**Scottish Loans**") on trust under a Scottish Declaration of Trust for the benefit of the Issuer.

The English Loans and their Related Security comprising the Portfolio will be assigned by way of equitable assignment to the Issuer while the Scottish Loans and their Related Security comprised in the Portfolio will be held on trust for the Issuer under (in respect of Scottish Loans and their Related Security comprised in the Portfolio) a Scottish Declaration of Trust dated the Closing Date, in each case referred to as the "**sale**" by the Seller to the Issuer of the Loans and Related Security. The Loans and Related Security and all monies derived therefrom from time to time are referred to herein as the "**Portfolio**".

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

- (a) the Initial Consideration, which is due and payable on the Closing Date; and
- (b) the deferred consideration consisting of the RC1 Payments and the RC2 Payments payable pursuant to the applicable Priority of Payments, the right to such RC1 Payments and the RC2 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 RC1 Payments or RC2 Payments payable pursuant to the Residual Certificates will be paid in accordance with the priority of payments set out in the section headed "*Cashflows – Application of Available Revenue Receipts Prior to the Service of an Enforcement Notice on the Issuer*", "*Cashflows – Application of Available Redemption Receipts Prior to the service of an Enforcement Notice on the Issuer*" and "*Cashflows – Distributions Following the Service of an Enforcement Notice on the Issuer*" below.

The Seller shall transfer to the Issuer within two Business Days of the Closing Date an amount equal to all Collections received on the Loans from (and including) 1 July 2017 to (but excluding) the Closing Date.

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

The completion of the transfer, or, in the case of Scottish Loans and their Related Security, assignation, of the Loans and their Related Security (and, where appropriate, their registration or recording) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and their Related Security therefore remains with the Seller until the occurrence of a Perfection Event. Notice of the sale of the Loans and their Related Security to the Issuer will not be given to any Borrower until the occurrence of a Perfection Event.

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

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

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

If the Loans and their Related Security are sold pursuant to the exercise of the Call Option, the Issuer or (if at the time the Call Option is exercised the Issuer does not hold the Whole Legal Title) the Seller, upon receipt of a direction from the Issuer and at the sole cost and expense of the Issuer, shall promptly transfer the Whole Legal Title in the Loans and their Related Security comprising the Portfolio to the Legal Title Transferee.

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 and assignments will be given to the Borrowers and the Issuer will take steps to register and record such legal assignments and assignments at the Land Registry and Registers of Scotland (as applicable).

Save for Title Deeds held at the Land Registry or the Registers of Scotland (as the case may be), all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by the Seller or the Servicer (on behalf of the Seller) or its solicitors or agents and the Title Deeds are held in dematerialised form or are returned to the Borrower's solicitors, and in relation to the Title Deeds held at the Registers of Scotland in respect of Properties title to which is recorded in the General Register of Sasines, such Title Deeds are held on the basis that they (other than the dematerialised copies of the Title Deeds) shall be returned to the Seller or the Servicer or its solicitors or agents.

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

**"Title Deeds"** means, in relation to each Loan, and its Related Security and the Property relating thereto, all conveyancing deeds, certificates and all other documents which relate to the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the relevant Borrower of the related Mortgage.

**"Loan Files"** means the file or files relating to each 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 Borrower and the Seller and including mortgage documentation applicable to each Loan, each letter of offer for that Loan, the Valuation Report (if applicable), any MHA/CP Documentation and, to the extent available, the solicitor's or licensed conveyancer's certificate of title.

**"Valuation Report"** means the valuation report or reports for mortgage purposes, in the form of one of the pro forma contained in the Standard Documentation, obtained by the Seller from a valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Residential Mortgage Lender and which has been approved by the relevant officers of the Seller.

#### *Conditions to Sale*

The sale of Loans and their Related Security to the Issuer will be subject to various conditions being satisfied on the Closing Date.

#### *Representations and Warranties*

On the Closing Date, the Loan Warranties (described below in "*Representations and Warranties*") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.

The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "**Loan Warranties**") include, *inter alia*, (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also "*The Loans - Insurance Contracts*" above:

- (a) each Loan was originated by the Seller and was at the time of origination, and continues to be, denominated in Sterling;

- (b) the particulars of the Loans set out in the Mortgage Sale Agreement were complete, true and accurate in respect of the data fields described in the Mortgage Sale Agreement;
- (c) each Loan and its Related Security was made on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect (other than in cases where the Seller's prior consent was obtained);
- (d) all of the Borrowers are individuals and were aged 21 years or older as at the date of execution of the Loan;
- (e) the rate of interest under each Loan is charged monthly in accordance with the Standard Documentation, including any offer letter and the terms thereof;
- (f) all fees are either charged to the relevant Borrower in accordance with the Standard Documentation or waived in accordance with the practice of a Reasonable, Prudent Residential Mortgage Servicer;
- (g) at least one Monthly Instalment due in respect of each Loan has been paid by the relevant Borrower;
- (h) no Borrower is an employee or director of the Seller;
- (i) each Loan has a positive Current Balance;
- (j) each Loan is either a Fixed Rate Loan or a Floating Rate Loan;
- (k) each Loan has a term ending no later than 31 May 2052;
- (l) no Loan is a Flexible Loan;
- (m) the Mortgage Conditions for each Loan do not require the Seller to agree to any Further Advance or any Port;
- (n) the Mortgage Conditions for each Loan do not permit Payment Holidays;
- (o) as at 1 July 2017, the total amount of interest or principal in arrears, together with any fees, commissions and premiums payable at the same time as that interest payment or principal repayment, on any Loan did not exceed more than the amount of the Monthly Instalment then due;
- (p) to the extent legally assignable, the benefit of all valuation reports and certificates of title which were provided to the Seller not more than two years prior to the date of the Mortgage Sale Agreement can be validly assigned to the Issuer without obtaining the consent of the relevant valuer, solicitor, licensed conveyance or (in Scotland) qualified conveyancer;
- (q) the amount outstanding under each Loan is a valid debt to the Seller (as holder of the legal title to the Loan) from the Borrower arising from advances of money to the Borrower and, except for any Loan and its Related Security which is not binding by virtue of UTCCR or CRA, the terms of each Loan and its Related Security constitute valid, binding and legally enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) the warranty only applies in relation to interest and principal payable by the Borrower;
- (r) subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry or (as applicable) the Registers of Scotland, the whole of the Current Balance on each Loan and all future interest, fees, costs and expenses payable under or in respect of such

Loan is secured by a Mortgage or Mortgages over a residential property and each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage or (in Scotland) a first ranking standard security;

- (s) no Loan is wholly or partly regulated by the CCA or by the FSMA as a regulated credit agreement under article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) or treated as such, or, to the extent that it is so regulated or partly regulated or treated as such, the Seller has complied with all of the relevant legal requirements of, and procedures set out in, the CCA or the FSMA and all secondary legislation made pursuant thereto and the FCA handbook, as applicable;
- (t) no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of sections 140A to 140C of the CCA;
- (u) in relation to any leasehold Property, in any case where the Seller has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, the Seller has taken such reasonable steps (if any) and in such time as would be taken by a Reasonable, Prudent Residential Mortgage Lender to protect its security and the Loan;
- (v) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was more than £25,000 but less than £1,000,000 as at the relevant date of origination;
- (w) not more than six months prior to the grant of each Loan, the Seller received a valuation report from a valuer on the relevant property (or such other form of report concerning the valuation of the relevant property as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender) which included as part of each valuation an inspection of the internal areas of the relevant property, the contents of which were such as would be acceptable to a Reasonable, Prudent Residential Mortgage Lender;
- (x) prior to the taking of each Mortgage (other than a remortgage), the Seller: (i) instructed the Seller's solicitor, licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant property and to undertake such other searches, investigations, enquiries and other actions on behalf of the Seller as are set out in the instructions which the Seller issued to the relevant solicitor, licensed conveyancer or (in Scotland) qualified conveyancer as are set out in (A) the Council for Mortgage Lenders' Handbook for England and Wales in relation to English Loans; or (B) the CML's Lenders' Handbook for Scotland in relation to Scottish Loans, Loans, (or such comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place), subject only to such variations made on a case by case basis as would have been acceptable to a Reasonable, Prudent Residential Mortgage Lender at the relevant time; and (ii) received a certificate of title from the solicitor, licensed conveyancer or (in Scotland) qualified conveyancer or referred to in sub-paragraph (i) relating to such property, the contents of which were such as would have been acceptable to a Reasonable, Prudent Residential Mortgage Lender at that time;
- (y) no Loan was or is:
  - (i) a Right-to-Buy Loan;
  - (ii) an Interest-only Loan;
  - (iii) a Buy-to-Let Loan;
  - (iv) a Self-Certified Loan; or
  - (v) an Equity Release Mortgage Loan;

- (z) all of the Properties are residential properties located in England, Wales or Scotland;
- (aa) in relation to each Mortgage other than a Scottish Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
  - (i) the lease cannot be forfeited on the bankruptcy of the tenant; and
  - (ii) any requisite consent of the landlord to, or notice to the landlord of, the creation of the Related Security has been obtained or given;
- (bb) in relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free from any encumbrance (save for the Scottish Mortgage and any subsequent ranking standard security) which would materially adversely affect such title and, without limiting the foregoing, in the case of a long leaseholder Property:
  - (i) in requisite consent of the landlord to, or notice to the landlord of, the creation of the Related Security has been obtained or given; and
  - (ii) the terms of the lease would, at the time of origination, have been acceptable to a Reasonable, Prudent Residential Mortgage Lender;
- (cc) the Seller has instructed its solicitors to take all steps necessary to perfect the Seller's title to each Mortgage with all due diligence and there are no cautions, notices, inhibitions or restrictions which would prevent the registration or recording of the Mortgage in due course;
- (dd) the Seller has not waived any of its rights under or in relation to a Loan or its Related Security which would materially reduce the value of the Loan;
- (ee) the terms of the loan agreement or Related Security relating to each Loan are not "unfair terms" within the meaning of the UTCCR or CRA but this warranty shall only be construed as to apply in respect of principal and interest due or charged on the Loan and not in respect of any Early Repayment Charges;
- (ff) so far as the Seller is aware, in relation to each Mortgage every person who, at the date upon which the relevant Loan was made, had attained the age of 18 and who had been notified to the Seller as residing or being about to reside in a Property subject to a Mortgage, is either (i) the relevant Borrower or (ii) has signed a deed of consent so as to ensure that the relevant Property is not subject to any right of occupancy and, in relation to each Scottish Mortgage, all necessary MHA/CP Documentation has been obtained so as to ensure that the relevant Property and relevant Scottish Mortgage is not subject to any right of occupancy;
- (gg) the Mortgage Conditions for each Loan require the Property over which the 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);
- (hh) save for Title Deeds held at the Land Registry or the Registers of Scotland (as the case may be), all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by the Seller or the Servicer (on behalf of the Seller) or its solicitors or agents or the Title Deeds are held in dematerialised form or are returned to the Borrower's solicitors, and in relation to the Title Deeds held at the Registers of Scotland in respect of the Properties title to which is recorded in the General Register of Sasines, such Title Deeds are held on the basis that they

(other than the dematerialised copies of the Title Deeds) shall be returned to the Seller or the Servicer or its solicitors or agents;

- (ii) the Seller has good and marketable title to, and immediately prior to the sale of such Loan, is the sole absolute unencumbered legal and beneficial owner of, each Loan and its Related Security and all other property, rights and benefits agreed to be sold by the Seller to the Issuer under the Mortgage Sale Agreement, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption and subject to registration or recording at the Land Registry or Registers of Scotland of the Seller as proprietor or heritable creditor of the relevant Mortgage;
- (jj) the Seller has not received written notice or is aware of any litigation or claim which may have a material adverse effect on the Seller's title to any Loan or Related Security;
- (kk) the Seller 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;
- (ll) the Seller has at all relevant times held, and continue to hold a registration under the Data Protection Act 1998 or equivalent;
- (mm) all formal approvals, consents and other steps necessary to permit a legal and equitable or beneficial transfer of the Loans and their Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken;
- (nn) the Seller or the Servicer has kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its Related Security and all such accounts, books and records are in the possession of the Seller or the Servicer;
- (oo) the Seller 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 Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) carried on by it in respect of each Loan;
- (pp) the Seller 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 the Loan and its Related Security;
- (qq) so far as the Seller is aware, neither they nor any of their agents have received written notice of any litigation, claim, dispute, complaint or regulatory investigation (in each case, subsisting, threatened or pending) in respect of any Borrower, Loan or Related Security which (if adversely determined) would have a material adverse effect on amounts recoverable in relation to the Loans;
- (rr) the Servicer has created and maintained all records in respect of the Mortgages in accordance with the requirements of the FCA and any other applicable requirements of law or of any person who has regulatory authority which has the force of law;
- (ss) no Loan or Related Security is cancellable under the Financial Services (Distance Marketing) Regulations (2004) (as amended) or under any other applicable law;
- (tt) prior to the granting of each 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;
- (uu) the brochures, application forms, offers, offer conditions and marketing material distributed by the Seller to the Borrower when offering a Loan to a Borrower: (i) do not conflict in any material respect with the terms applicable to the relevant Loan and its Related Security at the time that the Loan was entered into; and (ii) do not conflict with and would not prohibit or otherwise limit (A) the

assignment or assignation of the Loans and their Related Security to the Issuer; and (B) the administration of the Loans and their Related Security by the Servicer or by a successor servicer following the occurrence of a Servicer Termination Event;

- (vv) no Loan is guaranteed by a third party save where the guarantee constitutes a legal, valid and binding obligation of the guarantor, enforceable in accordance with the relevant deed of guarantee;
- (ww) other than with respect to Monthly Instalments (subject to Loan Warranty (o)), no Borrower is or has, since the date of the execution of the relevant Loan, been in material breach of any obligation owed with respect to the relevant Loan or its Related Security; and no steps have been taken by the Seller to enforce any Related Security, provided that a Borrower will not be deemed to be in material breach of the relevant Loan as a result of a failure to obtain buildings insurance where such failure in relation to a Loan is covered under the Block Insurance Policies;
- (xx) no act or circumstance has occurred which will adversely affect the Properties in Possession Cover or entitle the insurers to refuse payment or reduce the amount payable;
- (yy) no Loan or its Related Security is subject to any right of rescission, set-off, lien, counterclaim or defence;
- (zz) no Loan is a Significant Deposit Loan;
- (aaa) none of the property which is assigned or sold under the Mortgage Sale Agreement consists of or includes any "stock" or "marketable securities" within the meaning of section 125 of Finance Act 2003, "chargeable securities" for the purposes of section 99 Finance Act 1986 or a "chargeable interest" for the purposes of section 48 of the Finance Act 2003;
- (bbb) to the best of the Seller's knowledge, no Borrower has:
  - (i) filed for bankruptcy or entered into an individual voluntary arrangement, trust deed or debt arrangement scheme (in terms of the Debt Arrangement and Attachment (Scotland) Act 2002 and the Debt Arrangement Scheme (Scotland) Regulations 2011, both as amended) or had a county court judgment, Scottish court decree for payment or bankruptcy order or award for sequestration entered or made against them within six years prior to the date they executed the relevant Loan; or
  - (ii) a credit assessment indicating, based on on the Seller's underwriting policy, a significant risk that contractually agreed payments will not be made;
- (ccc) the Loan was granted to the relevant Borrower for the acquisition of their main residence;
- (ddd) as at the Closing Date, no Mortgage has been subject to any variation, amendment, modification, waiver or exclusion of time of any kind which in any material way adversely affects its enforceability or collectability;
- (eee) no Mortgage has been entered into as a consequence of any conduct constituting fraud of the Seller and, to the best of the Seller's knowledge, no Mortgage has been entered into fraudulently by the relevant Borrower;
- (fff) all approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer of the Loans, or a transfer of servicing or other disposal as and in the manner contemplated by the Transaction Documents away from the Seller of the Loans and their related Mortgages to be sold under the Mortgage Sale Agreement, have been obtained or taken, and there is no requirement in order for the transfer to be effective to obtain the consent of the Borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the Loans and their related Mortgages



and such transfer or disposal shall not give rise to any claim by the Borrower against the Issuer, the Security Trustee or any of their successors in title, assigns or assignees; and

(ggg) as at the Closing Date, each Mortgage and its Related Security has been transferred to the Issuer, and each transfer is enforceable against creditors of the Seller, and is neither prohibited nor invalid save only for applicable laws affecting the rights of creditors generally.

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 to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

**"Buy-to-Let Loan"** means any residential loan taken out by a Borrower in relation to the purchase or re-mortgage of a Property for letting purposes.

**"Cut-Off Date"** means 30 June 2017.

**"Equity Release Mortgage Loan"** has the meaning given to it in the PCS true sale eligibility criteria as at the Closing Date;

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

**"Interest-only Loan"** means any loan where the borrower makes monthly payments of interest but not principal so that, when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum.

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

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

- (a) agreed with a Borrower to control or manage actual or anticipated arrears on the Loan;
- (b) agreed with a Borrower to extend the maturity date of the Loan (unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes 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 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 on termination of an interest discount for a fixed period of time or the terms of the Loan otherwise change the interest rate payable.

**"Right-to-Buy Loan"** means a Loan and its Related Security in the Portfolio that was extended to Borrowers in connection with the purchase (or refinancing of the purchase) by those Borrowers of Properties from local authorities or certain landlords under the "right-to-buy" schemes governed by the Housing Act 1985 (as amended by the Housing Act 2004) or (as applicable) the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001).

"**Self-Certified Loan**" means a Loan where the application was taken on, and marketed with, the understanding that evidence of the declared income would not be required in order to underwrite the loan.

### ***Repurchase by the Seller***

The Seller will agree to be liable for the repurchase of any Loan and its Related Security sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Loan and/or its Related Security proves to be materially untrue as at the Closing Date and that default has not been remedied in accordance with the Mortgage Sale Agreement. Any Loans and their Related Security will be required to be repurchased following receipt by the Seller of a loan repurchase notice substantially in the form set out in and delivered in accordance with the Mortgage Sale Agreement (a "**Loan Repurchase Notice**") requiring the Seller to repurchase the relevant Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement. The Seller will also agree to repurchase any Loan which the Seller has determined on any Calculation Date to be a Significant Deposit Loan as at the immediately preceding Collection Period Start Date. For these purposes, "**Significant Deposit Loan**" means a Loan where (i) the Seller holds the legal title, and (ii) the relevant Borrower has a deposit account with the Seller and the balance of such deposit account exceeds the maximum amount covered under the Financial Services Compensation Scheme.

### ***Repurchase price***

The consideration payable by the Seller in respect of the repurchase of an affected Loan and its Related Security shall be equal to the Current Balance of such Loan (disregarding for the purposes of any such calculation the extent to which the Current Balance of such Loan has been reduced as a result of the exercise of any set-off right which the relevant Borrower has against the Seller, the amount of any such reduction in the Current Balance) as at the relevant date of any such repurchase, plus the Issuer's costs and expenses (if any) associated with the transfer of such Loan and its Related Security to the Seller.

As used in this Prospectus:

"**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which banks are open for business in London.

"**Calculation Date**" means, in relation to a Collection Period, the day falling six Business Days after the end of the relevant Collection Period.

"**Certificate of Title**" means, in respect of a Property, a solicitor's, licensed or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the Seller in respect of such Property substantially in the form of the pro forma set out in the Standard Documentation.

"**Collection Period**" means the quarterly period commencing on (and including) a Collection Period Start Date and ending on (but excluding) the immediately following Collection Period Start Date, except that the first Collection Period will commence on (and include) 1 July 2017 and end on (and exclude) the Collection Period Start Date falling in September 2017.

"**Collection Period Start Date**" means the first calendar day of March, June, September and December except that the first Collection Period Start Date will be 1 July 2017.

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

"**English Mortgage**" means a first ranking legal charge over a Property located in England or Wales.

**"Fixed Rate Loan"** means a Loan to the extent that and for such time as the interest rate payable by the relevant Borrower on all or part of the principal balance does not vary and is fixed for a certain period of time by the Seller.

**"Flexible Loan"** means a loan in respect of which the Borrower has exercisable redraw rights under the relevant loan.

**"Floating Rate Loan"** means a Loan where the applicable rate of interest is the Floating Mortgage Rate.

**"Insurance Policies"** means with respect to the Mortgages, the Block Insurance Policies and any other insurance contracts in replacement, addition or substitution thereof from time to time which relate to the Loans.

**"MHA/CP Documentation"** means an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or the Property secured thereby.

**"Monthly Instalment"** means the amount which the relevant Mortgage Conditions require a Borrower to pay on each monthly payment date in respect of that Borrower's Loan.

**"Mortgage"** means:

- (a) each English Mortgage, in respect of any English Loan; and
- (b) each Scottish Mortgage, in respect of any Scottish Loan,

which is, or is to be, sold, assigned or transferred by the Seller to the Issuer pursuant to:

- (i) the Mortgage Sale Agreement, in respect of any English Loan; or
- (ii) the Mortgage Sale Agreement and the Scottish Declaration of Trust, in respect of any Scottish Loan,

which secures the repayment of the relevant Loan pursuant to the Mortgage Conditions applicable to it.

**"Mortgage Conditions"** means in respect of a Loan, all the terms and conditions applicable to such Loan, including those set out in Precise Mortgages General Mortgage Conditions March 2010 (England and Wales) (PMGMC 09102, 00495 (3.7) and 00495 (4.1)), Precise Mortgages General Mortgage Conditions November 2015 (England and Wales) (PMGMC 00495 (5.2)), Precise Mortgages General Mortgage Conditions August 2016 (England and Wales) (PMGMC 00495 (5.5)), General Mortgage Conditions 2011 (Scotland), General Mortgage Conditions 2015 (Scotland), General Mortgage Conditions 2016 (Scotland) and the Seller's relevant general conditions, each as varied from time to time by the relevant loan agreement, the relevant Mortgage Deed and the Offer Conditions.

**"Mortgage Deed"** means, in respect of any Mortgage, the deed in written form creating that Mortgage (being in respect of any Scottish Loans, a standard security).

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

**"Payment Holidays"** means any payment holiday feature of a product where a borrower who is not in arrears can apply to defer one or more Monthly Instalments.

**"Property"** means (in England and Wales) a freehold, leasehold or commonhold property or (in Scotland) a heritable property or property held under a long lease which is, in each case, subject to a Mortgage.

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

"**Related Security**" means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all rights, remedies or benefits related thereto including:

- (a) the benefit of all affidavits, consents, renunciations, guarantees, indemnities, waivers and postponements (including any deed of consent and MHA/CP Documentation) from occupiers and other persons having an interest in or rights in connection with the relevant Property;
- (b) each right of action of the Seller against any person (including any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the Seller to make or offer to make all or part of the relevant 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) deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property and relevant Loan Files.

"**Scottish Mortgage**" means a first ranking standard security over a Property located in Scotland.

"**Standard Documentation**" means the standard documentation of the Seller, 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 (other than those terms of the Mortgage Sale Agreement specific to the law of Scotland relating to the Scottish Loans and their Related Security, which are governed by Scots law).

#### **Servicing Agreement**

##### *Introduction*

The Issuer, the Security Trustee, the Seller, the Servicer and the Back-Up Servicer Facilitator will enter into, on or around the Closing Date, an agreement pursuant to which the Servicer agrees to service the Loans and their Related Security (the "**Servicing Agreement**"). The services to be provided by the Servicer are set out in the Servicing Agreement, and may include any services incidental thereto as may be agreed to in writing by the Issuer, the Seller, the Security Trustee and the Servicer (the "**Services**").

On or about the Closing Date, the Servicer will be appointed by the Issuer and, as applicable, the Seller (including in its capacity as a trustee of the relevant trust declared and created by a Scottish Declaration of Trust (the "**Scottish Trust**")) to be its agent to service the Loans and their Related Security. The Servicer must comply with any proper directions and instructions that the Issuer or, following the Security Trustee notifying the Servicer that an Enforcement Notice has been served, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement.

The Servicer's actions in servicing the Loans and their Related Security in accordance with the terms of the Servicing Agreement (including the procedures of the Servicer set out therein) are binding on the Issuer.

### *Powers*

The Servicer has the power, among other things:

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

### *Undertakings by the Servicer*

The Servicer has undertaken, among other things, to:

- (a) service the Loans and their Related Security sold by the Seller to the Issuer as if the same had not been sold to the Issuer (or, in respect of the Scottish Loans and their Related Security, held on trust under the Scottish Trust) but had remained with the Seller in accordance with the Servicer's servicing, arrears and enforcement policies and procedures applicable to the Seller's loans from time to time as they apply to those Loans;
- (b) give such time and attention and exercise such skill, care and diligence in the performance of the Services and any other obligation contained in the Servicing Agreement and will provide those Services and perform such other obligations to the same standard as a Reasonable, Prudent Residential Mortgage Servicer;
- (c) comply with any proper orders and instructions which the Issuer may from time to time give to it in accordance with the provisions of the Servicing Agreement;
- (d) keep in force all approvals, authorisations, permissions, consents and licences required in order properly to service the Loans and their Related Security and to perform or comply with its obligations under the Servicing Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, registrations, consents and licences required in connection with the performance of the Services under the Servicing Agreement and in particular any necessary notification under the Data Protection Act 1998 and any authorisation and permissions under the FSMA;
- (e) not knowingly fail to comply with any applicable legal and regulatory requirements in the performance of the Services;
- (f) make all payments required to be made by it pursuant to the Servicing Agreement (as to which see further below) on the due date for payment in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without any set-off (including in respect of any fees owed to it) except any deductions required by law (or as expressly permitted under the Servicing Agreement);
- (g) not without the prior written consent of the Security Trustee, amend or terminate any of the Transaction Documents save in accordance with their terms;
- (h) deliver to the Issuer, the Security Trustee, the Back-Up Servicer Facilitator and (where the Servicer is not CCFS) the Seller as soon as reasonably practicable but in any event within five Business Days of becoming aware thereof a notice of any Servicer Termination Event or any event which, with the giving of notice or lapse of time or certification, would constitute the same; and

- (i) make any determinations required to be made by the Issuer under the Swap Agreement and notify the Cash Manager and the Swap Provider upon making such determinations.

#### *Appointment of Servicer as a designated reporting entity*

The Servicer will be appointed by the Issuer and the Seller to act as the designated reporting entity for the purposes of complying with any applicable requirements under Article 8b of the CRA Regulation, the corresponding implementing measures from time to time and any replacement legislation in force and applicable to the Issuer and Seller from time to time in respect of any relevant Notes issued by the Issuer.

#### *Back-Up Servicer Facilitator*

The Issuer will appoint the Back-Up Servicer Facilitator in accordance with the Servicing Agreement. If the Servicer's appointment is terminated, the Back-Up Servicer Facilitator shall use best efforts to identify, on behalf of the Issuer, and assist the Issuer in the appointment of a suitable substitute servicer in accordance with the Servicing Agreement.

#### *Setting of Interest Rates on the Loans*

Subject to the terms of the Mortgage Sale Agreement, each of the Issuer and the Seller grants the Servicer full right, liberty and authority from time to time, in accordance with the relevant Mortgage Conditions, to determine and set the Floating Mortgage Rates in relation to the Floating Rate Loans sold by the Seller to the Issuer which have not at the relevant date of determination been repurchased by the Seller, provided that the interest due on the Floating Rate Loans is set by reference to LIBOR as determined in accordance with the relevant Mortgage Conditions.

#### *Further Advances, Porting and Product Switches*

The Servicer will undertake with the Issuer and the Security Trustee that it will not offer to any Borrower nor will it agree to any request from any Borrower for a Further Advance, Port or Product Switch in relation to a Loan and its Related Security.

#### *Operation of Collection Accounts*

The Servicer will operate the Collection Accounts, opened in the name of the Seller with the Collection Account Bank in accordance with the terms of the Servicing Agreement, the Collection Accounts Declaration of Trust and the Collection Account Agreement (as to which, see "*The Collection Account Declaration of Trust*" and "*The Collection Account Agreement*" below). Revenue Receipts and Redemption Receipts arising in relation to the Loans will be paid directly into the relevant Collection Accounts. The Servicer shall transfer to the Deposit Account all Collections received into the Non-DD Collection Account arising in respect of non-Direct Debit payments received from Borrowers within five Business Days of the identification of such amounts received into the Non-DD Collection Account.

#### *Replacement of Collection Account Bank*

The Servicer shall monitor the Collection Account Bank for any Insolvency Event and confirms that in the event of the occurrence of an Insolvency Event of the Collection Account Bank, the Servicer shall, as directed by the Issuer and as agreed in writing by the Seller, assist the Seller in opening one or more replacement Collection Accounts in the name of the Seller with a financial institution which: (i) has a rating of at least the Collection Account Bank Rating; (ii) is approved in writing by the Issuer and the Security Trustee; (iii) is a "bank" as defined in Section 991 of the Income Tax Act 2007; and (iv) which is of a reputable standing, as soon as reasonably practicable and in any event within 30 calendar days.

If the rating of the Collection Account Bank falls below the Collection Account Bank Rating and provided that there exists a financial institution having a rating of at least the Collection Account Bank Rating and

which is a "bank" as defined in Section 991 of the Income Tax Act 2007, the Issuer and the Seller (or any other entity which may then hold legal title to the Loans and their Related Security) shall, within 30 calendar days of such occurrence:

- (a) open a replacement collection account in the name of the Seller 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,

and the Servicer shall assist the Seller (or any other entity which may then hold legal title to the Loans) and the Issuer in respect of the foregoing.

In the event a replacement collection account is opened, the Servicer shall procure that (i) all Direct Debit mandates are transferred to such replacement collection account, (ii) 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 and (iii) all amounts standing to the credit of the Collection Accounts be transferred to the replacement collection account promptly after the replacement collection account is opened.

**"Direct Debiting Scheme"** means the system for the manual or automated debiting of bank accounts by Direct Debit operated in accordance with the principal rules of certain members of the Association for Payment Clearing Services.

#### *Compensation of the Servicer*

The Servicer receives fees under the terms of the Servicing Agreement. In consideration for providing Services other than carrying out certain duties and obligations set out in the Servicing Agreement, the Issuer shall pay to the Servicer a fee (inclusive of VAT, if any) of up to 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 0.20 per cent. per annum on the aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Collection Period Start Date at the start of the immediately preceding Collection Period (the **"Base Fee"**).

The Base Fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Enforcement Revenue Priority of Payments or, as the case may be, the Post-Enforcement Priority of Payments.

#### *Removal or Resignation of the Servicer*

Subject to the prior written consent of the Security Trustee, the Issuer may at once or at any time thereafter while such default continues, by notice in writing to the Servicer (with a copy to the Security Trustee and the Back-Up Servicer Facilitator), terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a **"Servicer Termination Event"**) occurs and is continuing:

- (a) the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of 30 Business Days after:
  - (i) where the failure to pay has arisen other than as a result of a Disruption Event, upon the earlier of the Servicer becoming aware of such default and the receipt by the Servicer of written notice from the Issuer or (after the delivery of an Enforcement Notice) the Security Trustee, as the case may be,

requiring the same to be remedied; or (ii) where the failure to pay has arisen as a result of a Disruption Event, the cessation of the Disruption Event or, if earlier, 60 Business Days following the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer or (after the delivery of an Enforcement Notice) the Security Trustee (with a copy to the Back-Up Servicer Facilitator) requiring the same to be remedied;

- (b) the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which failure in the reasonable opinion of the Issuer (prior to the delivery of an Enforcement Notice) or the opinion of the Security Trustee (after the delivery of an Enforcement Notice) is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 30 Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the Issuer, or (after the delivery of an Enforcement Notice) the Security Trustee (with a copy to the Back-Up Servicer Facilitator) requiring the Servicer's non-compliance to be remedied;
- (c) an Insolvency Event occurs in relation to the Servicer; or
- (d) it becomes unlawful in any applicable jurisdiction for the Servicer to perform any of its obligations as contemplated by the Servicing Agreement, provided that this does not result or arise from compliance by the Servicer with any instruction from the Issuer or the Security Trustee.

**"Disruption Event"** means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for the payments to be made in connection with a Transaction Document (or otherwise in order for the transactions contemplated by the Transaction Documents to be carried out) which disruption is not caused by, and is beyond the control of, the relevant party seeking to rely on such disruption; or
- (b) the occurrence of any other event which results in the disruption (of a technical or systems related nature) to the treasury or payments operations of the party seeking to rely on such disruption which prevents that party, or any other party to the Transaction Documents, from:
  - (i) performing its payment obligations under the Transaction Documents; or
  - (ii) communicating with any other party to a Transaction Document in accordance with the terms of the relevant Transaction Documents.

#### *Voluntary Resignation*

The Servicer may voluntarily resign by giving not less than three months' written notice to the Security Trustee, the Issuer and the Back-Up Servicer Facilitator (or such shorter time as may be agreed between the Servicer, the Issuer, the Security Trustee and the Back-Up Servicer Facilitator), provided that: (i) a substitute servicer shall be appointed, such appointment to be effective not later than the date of such termination; (ii) such substitute servicer is qualified to act as such under the FSMA and has the requisite experience of servicing residential mortgage loans in the United Kingdom and is approved by the Issuer and the Security Trustee; (iii) such substitute servicer enters into a servicing agreement with the Issuer on terms commercially acceptable in the market, pursuant to which the substitute servicer agrees to assume and perform all the material duties and obligations of the Servicer under the Servicing Agreement; and (iv) (if Rated Notes remain outstanding) the then current ratings of the Rated Notes are not adversely affected as a result thereof, unless the Security Trustee or the Rated Noteholders (the Rated Noteholders acting by way of an Extraordinary Resolution) otherwise agree.



### *Scheduled termination of the appointment of the Servicer*

The appointment of the Servicer, unless previously terminated in accordance with the terms of the Servicing Agreement, shall terminate with immediate effect on the date on which the Issuer has no further interest in any Loan or Related Security and all Secured Obligations have been irrevocably discharged in full.

### *Delivery of documents and records*

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver to the Issuer or the Security Trustee (or as the Issuer or the Security Trustee shall direct in writing and, in the event of a conflict between directions from the Issuer and directions from the Security Trustee, the directions from the Security Trustee shall prevail), *inter alia*, the Title Deeds and Loan Files relating to the Loans and their Related Security in its possession.

Neither the Note Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

### *Enforcement Procedures*

To the extent that any amount cannot be collected from any Borrower and the Servicer is unable to undertake its primary obligation to collect such amounts, the Loan will be passed to the special servicing team of the Servicer who will undertake debt collections activities in addition to the cash management activities outlined above. The Servicer will, in relation to any default by a Borrower under or in connection with a Loan, comply with the enforcement procedures or, to the extent that the enforcement procedures are not applicable having regard to the nature of the default in question, take such action as complies with the standard of a Reasonable, Prudent Residential Mortgage Servicer providing debt collection services in respect of such default, provided that:

- (a) the Servicer shall only become obliged to comply with the enforcement procedures (to the extent applicable) or to take action as aforesaid after it has become aware of the default; and
- (b) it is acknowledged by the Issuer that mortgage servicers generally exercise discretion in pursuing their respective enforcement procedures and that the Servicer may exercise such discretion as would be exercised by a Reasonable, Prudent Residential Mortgage Servicer in applying the enforcement procedures to any particular defaulting Borrower or taking action as referred to above or in enforcing any relevant guarantee but without prejudice to the other provisions of the Servicing Agreement in connection with the payment of money into the relevant Collection Account; and
- (c) the Servicer may exercise forbearance or take such other action in accordance with the practice of a Reasonable, Prudent Residential Mortgage Servicer in relation to the recovery of amounts from Borrower(s) and/or the relevant Property.

### *Issuer's Liability*

The Issuer shall fully and continually indemnify the Servicer against any losses, Liabilities, claims, expenses (including, without limitation, any amounts in respect of Irrecoverable VAT in relation thereto) or damages which the Servicer sustains or incurs in connection with the performance of the Services under the Servicing Agreement other than any losses, liabilities, claims, expenses (including, without limitation, any amounts in respect of Irrecoverable VAT in relation thereto) or damages incurred or sustained by the Servicer as a result of its fraud, wilful default or Gross Negligence.

### *Limit to Servicer's Liability*

The Servicer's liability in contract, tort (including negligence or breach of statutory or regulatory duty) or otherwise in respect of the Servicing Agreement shall: (a) be limited to £1,500,000 (one million five hundred thousand Pounds) in aggregate for so long as the Servicer is appointed under the Servicing Agreement; and

(b) not include any claim for any increased costs and expenses, loss of profit, business, contracts, revenues or anticipated savings or for any special indirect or consequential damage of any nature whatsoever.

However, the Servicer's limitation of liability pursuant to the Servicing Agreement shall not apply in respect of any liability arising as a result of the fraud, wilful default or Gross Negligence of the Servicer. In the Servicing Agreement, "**Gross Negligence**" means any act or omission of the Servicer which falls below the level of care and skill that could reasonably be expected of a prudent party, in circumstances where that act, conduct or omission (as applicable) also shows a deliberate and/or manifestly careless or reckless disregard of potential consequences of such act or omission on the interests of another party and could reasonably be expected to cause significant prejudice to the interests of that other party.

#### *Governing Law*

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

#### **Deed of Charge**

On the Closing Date, the Issuer will enter into the Deed of Charge with, *inter alios*, the Security Trustee.

#### *Security*

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the "**Security**") as trustee for itself and for the benefit of the Secured Creditors (including the Noteholders and the Certificateholders):

- (a) an assignment by way of security of (and, to the extent not 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, the Deed of Charge, the Scottish Supplemental Charge and the Scottish Declaration of Trust) and any sums derived therefrom (provided that the assignment by way of security of the Issuer's rights under the Swap Agreement shall be subject to any rights of set-off or netting provided for thereunder);
- (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 English Loans and their Related Security and other related rights comprised in the Portfolio (other than in respect of Scottish Loans) and any sums derived therefrom;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge over) the Issuer's rights, title, interest and benefit in, to and under Insurance Policies assigned to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an assignation in security of the Issuer's interest in the Scottish Loans and their Related Security (comprising the Issuer's beneficial interest under the trust declared by the Seller over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declaration of Trust) (the "**Scottish Supplemental Charge**");
- (e) a charge by way of first fixed charge over the Issuer's interest in its bank and/or securities accounts (including the Deposit Account and the Swap Collateral Account) maintained with the Issuer Account Bank and any other bank or custodian and any sums or securities standing to the credit thereof;
- (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 Manager (acting on the instructions of the Servicer) on its behalf;

- (g) 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 Non-DD Collection Account Trust (created pursuant to the Non-DD Collection Account Declaration of Trust together with the Non-DD Collection Account Accession Undertaking) the Collection Accounts Trust (created pursuant to the Collection Accounts Declaration of Trust); and
- (h) a floating charge over all assets of the Issuer not otherwise subject to the charges referred to above or otherwise effectively assigned by way of security (other than item (d) above), including over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not such assets are the subject of the charges referred to above).

"**Authorised Investments**" means:

- (a) Sterling gilt-edged securities;
- (b) money market funds;
- (c) Sterling demand or time deposits and certificates of deposit; and
- (d) 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) (aa) have a maturity date of 90 days or less and mature on or before the next following Interest Payment Date or within 90 days, whichever is sooner, and are rated at least A-1+ (short term) and/or AA- (long term) by S&P and at least P-1 (short term) and A1 (long term) by Moody's (or, as applicable, AAAm by S&P and Aaa –mf by Moody's, in respect of money market funds) or (bb) have a maturity date of 30 days or less and mature on or before the next Interest Payment Date or within 30 days, whichever is the sooner, and are rated at least A-1 (short term) and A (long term) (or if no short-term rating, A+ long-term) by S&P and at least P-1 (short term) and A2 (long term) by Moody's (or, as applicable, AAAm by S&P and Aaa –mf by Moody's, in respect of money market funds and (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date or within 30 to 90 days, whichever is sooner, as specified in (i) above, save that where such investments would result in the recharacterisation of the programme, the Notes or any transaction under the Transaction Documents as a "re-securitisation" or a "synthetic securitisation" as defined in Articles 4(63) and 242(11), respectively, of Regulation (EU) No 575/2013 (as amended and/or supplemented from time to time), such investments shall not qualify as authorised investments.

"**Secured Creditors**" means the Security Trustee, any Receiver appointed by the Security Trustee pursuant to the Deed of Charge, the Note Trustee, the Noteholders, the Certificateholders, the Seller, the Servicer, the Back-Up Servicer Facilitator, the Cash Manager, the Swap Provider, the Issuer Account Bank, the Corporate Services Provider, the Paying Agents, the Registrar, the Agent Bank, the Collection Account Bank and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

"**Transaction Documents**" means the Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Non-DD Collection Account Declaration of Trust, the Non-DD Collection Account Accession Undertaking, the Collection Account Agreement, the Collection Accounts Declaration of Trust, the Cash Management Agreement, the Corporate Services Agreement, the Deed Poll, the Deed of Charge, the Scottish Supplemental Charge, the Swap Agreement, a share trust deed dated 15 June 2017 (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 Scottish Declaration of Trust, the power of attorney granted by the Seller in favour of the Issuer and the Security Trustee on the Closing Date (the "**Seller Power of**

**Attorney**"), the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes and/or the Residual Certificates.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically (subject to applicable law) following the occurrence of specific events set out in the Deed of Charge, including, among other events, service of an Enforcement Notice, except in relation to the Issuer's Scottish assets, where crystallisation will occur on the appointment of an administrative receiver or receiver or upon commencement of the winding up of the Issuer. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

#### *Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Redemption Priority of Payments*

Prior to the Note Trustee serving an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes or Residual Certificates Condition 10 (*Events of Default*), declaring the Notes to be immediately due and payable or any RC1 Payments or RC2 Payments pursuant to the Residual Certificates to be immediately due and payable, as the case may be, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Deposit Account as described in "*Cashflows – Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer*", "*Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer*" below and "*Application of Monies released from the Rated Note Reserve Fund*" and apply monies standing to the credit of the Swap Collateral Account as described in "*Cashflows – Swap Collateral*".

#### *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 or if no Notes remain outstanding, pursuant to Residual Certificates Condition 10 (*Events of Default*) declaring that any RC1 Payments or RC2 Payments pursuant to the Residual Certificates are immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by it shall apply the monies standing to the credit of the Deposit 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 and apply the monies standing to the credit of the Swap Collateral Account in accordance with the Swap Collateral Account Priority of Payments defined in "*Cashflows – Swap Collateral*" below.

The Security will become enforceable after an Enforcement Notice has been served on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes or if no Notes remain outstanding, pursuant to Residual Certificates Condition 10 (*Events of Default*) declaring that any RC1 Payments or RC2 Payments pursuant to the Residual Certificates are immediately due and payable provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes and/or the Residual Certificates, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the 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 and aspects relating to Scottish Loans and their Related Security (including each Scottish Supplemental Charge entered into pursuant thereto) will be governed by Scots law.

#### **Trust Deed**

On or about the Closing Date, the Issuer, the Security Trustee and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes and the Residual Certificates are subject to the provisions in the Trust Deed. The Conditions and the Residual Certificates Conditions and the forms of each class of Notes and the Residual Certificates are each constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes and the Residual Certificates on trust for the Noteholders and the Certificateholders.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Note Trustee (exclusive of VAT) together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under or in connection with the Trust Deed and the other Transaction Documents.

#### *Retirement of Note Trustee*

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without giving any reason therefor and without being responsible for any liabilities occasioned by such retirement. The holders of the Most Senior Class or (in the case of the Residual Certificates) in issue 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, 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.

#### *Governing Law*

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

## Agency Agreement

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee and the Security Trustee, the Principal Paying Agent, the Registrar and the Agent Bank, provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

### *Governing Law*

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

## Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer, the Seller, the Servicer, the Swap Provider and the Security Trustee will enter into a cash management agreement (the "**Cash Management Agreement**").

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

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

- (a) on each Interest Payment Date prior to the delivery of an Enforcement Notice, apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments, any Class A and Class B Liquidity Reserve Fund Release Amount to meet any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments and any Rated Note Reserve Fund Release Amount to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments;
- (b) on each Calculation Date determine if there would be a Class A and Class B Liquidity Deficit following the application of Available Revenue Receipts on the immediately following Interest Payment Date;
- (c) on each Calculation Date determine if there would be a Revenue Deficit following the application of Available Revenue Receipts and any Class A and Class B Liquidity Reserve Fund Release Amounts on the immediately following Interest Payment Date;
- (d) on each Calculation Date determine if there would be a Senior Expenses Deficit following the application of Available Revenue Receipts, any Class A and Class B Liquidity Reserve Fund Release Amounts and any Rated Note Reserve Fund Release Amounts on the immediately following Interest Payment Date;
- (e) on each Calculation Date, determine whether the immediately following Interest Payment Date is the Final Redemption Date and/or the Class B Redemption Date;
- (f) record credits to, and debits from, the Ledgers, as and when required; and
- (g) if required (i) during the Determination Period, calculate the Interest Determination Ratio, the Calculated Revenue Receipts and the Calculated Redemption Receipts; and (ii) following any

Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, reconcile the calculations to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amounts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*), Residual Certificates Condition 6.7 (*Termination of Payments*) and the Cash Management Agreement.

In addition, the Cash Manager will also:

- (a) maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:
  - (i) the "**Redemption Ledger**", which will record all Redemption Receipts received by the Issuer and the distribution of the Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);
  - (ii) the "**Revenue Ledger**", which will record all Revenue Receipts, any Swap Collateral Account Surplus, amounts credited to the Deposit Account in accordance with item (v) of the Pre-Enforcement Revenue Priority of Payments and the distribution of the Revenue Receipts and the distribution of any other relevant amounts recorded on the Revenue Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable) or by way of Third Party Amounts;
  - (iii) the "**Rated Note Reserve Fund Ledger**", which will record amounts credited to, and debited from, the rated note reserve fund (the "**Rated Note Reserve Fund**"). The Rated Note Reserve Fund will be funded from part of the proceeds of the Subordinated Notes in an amount equal to the Rated Note Reserve Fund Required Amount on the Closing Date and on each Interest Payment Date up to and including the Final Redemption Date from amounts to be applied to the Rated Note Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments. On each Interest Payment Date up to and including the Final Redemption Date (prior to service of an Enforcement Notice), the Cash Manager will, *first*, debit (i) an amount equal to the Rated Note Reserve Fund Excess Amount from the Rated Note Reserve Fund Ledger to be applied as Available Revenue Receipts; and (ii) an amount equal to the Rated Note Reserve Fund Release Amount (if any) from the Rated Note Reserve Fund Ledger to be applied in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order in which they appear in the Pre-Enforcement Revenue Priority of Payments and, *second*, following any such adjustments to the Rated Note Reserve Fund Ledger, apply (on behalf of the Issuer) the Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments and credit to the Rated Note Reserve Fund Ledger the amount of Available Revenue Receipts applied on such Interest Payment Date to replenish the Rated Note Reserve Fund up to the Rated Note Reserve Fund Required Amount pursuant to item (o) of the Pre-Enforcement Revenue Priority of Payments.

On the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit and then any Rated Note Reserve Fund Release Amount to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, and debiting such amounts from the Class A and Class B Liquidity Reserve Fund Ledger and/or the Rated Note Reserve Fund Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments, in each case on such Final Redemption Date) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments (see "*Credit Structure – Rated Note Reserve Fund and Rated Note Reserve Fund Ledger*" below);

- (iv) the "**Principal Deficiency Ledger**", which will record on the appropriate sub-ledger as a debit deficiencies arising from Losses on the Portfolio (on the date the Cash Manager is informed of such Losses by the Servicer) and Principal Addition Amounts (on the Calculation Date on which such Principal Addition Amounts are determined by the Cash Manager) and record as a credit Available Revenue Receipts applied as Available Redemption Receipts (including any amounts in respect of Enhanced Amortisation Amounts) pursuant to the Pre-Enforcement Revenue Priority of Payments (if any) on each Interest Payment Date (see "*Credit Structure – Principal Deficiency Ledger*" below);
- (v) the "**Class A and Class B Liquidity Reserve Fund Ledger**", which will record amounts credited to, and debited from, the Class A and Class B liquidity reserve fund (the "**Class A and Class B Liquidity Reserve Fund**"). The Class A and Class B Liquidity Reserve Fund will be funded from part of the proceeds of the Subordinated Notes in an amount equal to the Class A and Class B Liquidity Reserve Fund Required Amount on the Closing Date and on each Interest Payment Date up to but excluding the Class B Redemption Date from amounts to be applied to the Class A and Class B Liquidity Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments. On each Interest Payment Date up to but excluding the Class B Redemption Date (prior to service of an Enforcement Notice), the Cash Manager will, *first*, debit (i) an amount equal to the Class A and Class B Liquidity Reserve Fund Excess Amount from the Class A and Class B Liquidity Reserve Fund Ledger to be applied as Available Revenue Receipts; and (ii) an amount equal to the Class A and Class B Liquidity Reserve Fund Release Amount (if any) from the Class A and Class B Liquidity Reserve Fund Ledger to be applied in meeting any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order in which they appear in the Pre-Enforcement Revenue Priority of Payments and, *second*, following any such adjustments to the Class A and Class B Liquidity Reserve Fund Ledger, apply (on behalf of the Issuer) the Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments and credit to the Class A and Class B Liquidity Reserve Fund Ledger the amount of Available Revenue Receipts applied on such Interest Payment Date to replenish the Class A and Class B Liquidity Reserve Fund up to the Class A and Class B Liquidity Reserve Fund Required Amount pursuant to item (i) of the Pre-Enforcement Revenue Priority of Payments.

On the Class B Redemption Date only, all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund Ledger (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amount in meeting any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments and debiting such amount from the Class A and Class B Liquidity Reserve Fund Ledger) will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments (see "*Credit Structure – Class A and Class B Liquidity Reserve Fund and Class A and Class B Liquidity Reserve Fund Ledger*" below);

- (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 Revenue Priority of Payments and the Post-Enforcement Priority of Payments and as a debit any amount used to discharge any tax liability of the Issuer; and
- (vii) the "**Swap Collateral Ledger**", which shall record as a credit (A) any Swap Collateral received from the Swap Provider, (B) any Replacement Swap Premium received by the Issuer from a replacement swap provider, (C) any termination payment received by the Issuer from an outgoing Swap Provider, and (D) Swap Tax Credits. Amounts and securities standing to the credit of each Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) and recorded on the Swap Collateral Ledger



will be applied by the Cash Manager in accordance with the Swap Collateral Account Priority of Payments;

- (b) calculate on each Calculation Date (prior to service of an Enforcement Notice) the amount of Available Revenue Receipts and Available Redemption Receipts to be applied on the immediately following Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Redemption Priority of Payments (as applicable);
- (c) calculate on each Calculation Date up to and including the Calculation Date immediately preceding the Class B Redemption Date (prior to the service of an Enforcement Notice) the amount of any Class A and Class B Liquidity Reserve Fund Release Amount to be applied on the immediately following Interest Payment Date (such amount to be determined after calculation of the Available Revenue Receipts (excluding, for the purposes of such calculation, item (e) of the definition thereof) to be applied on such Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date (including any Class A and Class B Liquidity Reserve Fund Excess Amount to be applied as Available Revenue Receipts on such Interest Payment Date));
- (d) calculate on each Calculation Date up to and including the Calculation Date immediately preceding the Final Redemption Date (prior to the service of an Enforcement Notice) the amount of any Rated Note Reserve Fund Release Amount to be applied on the immediately following Interest Payment Date (such amount to be determined after calculation of any Class A and Class B Liquidity Reserve Fund Release Amounts to be applied to meet any Class A and Class B Liquidity Deficit and the Available Revenue Receipts to be applied on such Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date (including any Rated Note Reserve Fund Excess Amount to be applied as Available Revenue Receipts on such Interest Payment Date));
- (e) calculate on each Calculation Date up to and including the Calculation Date immediately preceding the Final Redemption Date (prior to the service of an Enforcement Notice) the amount of any Principal Addition Amounts to be applied on the immediately following Interest Payment Date (such amount to be determined after calculation of any Class A and Class B Liquidity Reserve Fund Release Amounts to be applied to meet any Class A and Class B Liquidity Deficit, any Rated Note Reserve Fund Release Amounts to be applied to meet any Revenue Deficit and the Available Revenue Receipts to be applied on such Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date) and drawn from Available Redemption Receipts on such Interest Payment Date;
- (f) provide the Issuer, the Servicer, the Security Trustee, the Noteholders, the Certificateholders, the Rating Agencies, Bloomberg and (subject to the written consent of the Servicer) any other person requesting such report with the Investor Report on each month on any day in each calendar month, provided that (i) in the case of a month in which no Interest Payment Date falls, the Servicer shall have delivered the Servicer Report by no later than the tenth Business Day of that month and (ii) in respect of a month in which an Interest Payment Date falls, the Cash Manager shall (assuming delivery by the Servicer of the Servicer Report by no later than the fourth Business Day of that month) provide the Investor Report by no later than one Business Day following each relevant Calculation Date; and
- (g) as soon as reasonably practicable upon receiving a request from the Issuer and/or the Security Trustee and provided that it has all information necessary to enable it to do so, calculate and provide to the Issuer and the Security Trustee:

- (i) the Optional Purchase Price (or where such calculation is made prior to the Calculation Date immediately preceding the Optional Purchase Completion Date, an estimate of the Optional Purchase Price); and/or
- (ii) (where the initial calculation is made prior to the Calculation Date immediately preceding the Optional Purchase Completion Date) the definitive Optional Purchase Price.

At the direction of the Servicer, the Cash Manager, on behalf of and in the name of the Issuer, may invest monies standing from time to time to the credit of the Deposit Account in Authorised Investments as determined by the Servicer, 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 Manager 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 Deposit Account.

The Cash Manager shall not be responsible (save where any loss results from the Cash Manager'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 Management Agreement.

*Cash Manager and Directions from the Security Trustee*

The Cash Manager will act upon the direction of the Security Trustee (given in accordance with the terms and provisions of the Deed of Charge) upon the Security Trustee notifying the Cash Manager that an Enforcement Notice has been served on the Issuer.

*Remuneration of Cash Manager*

The Cash Manager will be paid a cash management fee for its cash management services under the Cash Management Agreement. Such fees will be determined under a separate fee letter between the Issuer and the Cash Manager. Any sum (or other consideration) payable (or provided) by the Issuer to the Cash Manager in respect of that fee shall be deemed to be exclusive of VAT, if any, chargeable on any supply or supplies 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 Revenue Priority of Payments or, as the case may be, the Post-Enforcement Priority of Payments.

*Termination of Appointment and Replacement of Cash Manager*

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

- (a) default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied; or
- (b) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the opinion of the Note Trustee as

notified to the Security Trustee is materially prejudicial to the interests of the Noteholders, and such default continues unremedied for a period of 30 Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or (following the service of an Enforcement Notice) the Security Trustee, as the case may be, requiring the same to be remedied; or

- (c) an Insolvency Event occurs in respect of the Cash Manager; or
- (d) it becomes unlawful for the Cash Manager to perform its obligations under the Cash Management Agreement or under any other Transaction Document,

then prior to the delivery of an Enforcement Notice, the Issuer (with the written consent of the Security Trustee), or following the delivery of an Enforcement Notice, the Security Trustee, may, at once or at any time thereafter while such default continues, by notice in writing to the Cash Manager (with a copy to the Security Trustee if such notice is delivered by the Issuer), terminate its appointment as Cash Manager under the Cash Management Agreement with effect from a date (not earlier than the date of the notice) specified in such notice. In determining whether to give or withhold consent to the termination of the Cash Manager by the Issuer, the Security Trustee will have regard to factors including, *inter alia*, the availability of a substitute cash manager. Upon termination of the appointment of the Cash Manager, the Issuer shall use reasonable endeavours to appoint a substitute cash manager that satisfies the conditions set out below .

Any substitute cash manager:

- (a) must agree to enter into an agreement with the Issuer on terms commercially acceptable in the market, pursuant to which the substitute cash manager agrees to assume and perform all material duties and obligations of the Cash Manager under the Cash Management Agreement;
- (b) must be a party that the Rating Agencies have previously confirmed by whatever means such Rating Agencies consider appropriate (provided that the Issuer is permitted to and does confirm in writing (including by email) to the Security Trustee that such confirmation has been obtained) the appointment of which will not cause the then current ratings of the Rated Notes to be adversely affected; and
- (c) will be subject to the prior written approval of the Security Trustee.

For the avoidance of doubt, upon termination of the appointment of the Cash Manager, if the Issuer is unable to find a suitable third party willing to act as a substitute cash manager, this shall not constitute any breach of the provisions of the Cash Management Agreement.

#### *Resignation of the Cash Manager*

The Cash Manager may resign on giving not less than 45 days' written notice (or such shorter time as may be agreed between the Cash Manager, the Issuer, the Servicer and the Security Trustee) of its resignation to the Issuer, the Servicer, the Seller and the Security Trustee, provided that:

- (a) a substitute cash manager shall be appointed, such appointment to be effective not later than the date of such termination;
- (b) such substitute cash manager has the requisite cash management experience to perform the functions to be given to it under the Cash Management Agreement and is approved by the Issuer and the Security Trustee;
- (c) such substitute cash manager enters into a cash management agreement with the Issuer on terms commercially acceptable in the market, pursuant to which the substitute cash manager agrees to

assume and perform all material duties and obligations of the Cash Manager under the Cash Management Agreement; and

- (d) (if Rated Notes remain outstanding) the then current ratings of the Rated Notes are not adversely affected as a result thereof, unless the Security Trustee or the relevant Class or Classes of Noteholders (acting by way of an Extraordinary Resolution) otherwise agree.

#### *Governing Law*

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

#### **The Bank Account Agreement**

Pursuant to the terms of a bank account agreement entered into on or about the Closing Date between the Issuer, the Issuer Account Bank, the Cash Manager and the Security Trustee (the "**Bank Account Agreement**"), the Issuer will maintain with the Issuer Account Bank the Deposit Account and the Swap Collateral Account which will be operated in accordance with the Bank Account Agreement, Cash Management Agreement, the Deed of Charge and, in relation to the Swap Collateral Account, the Swap Agreement. The Issuer Account Bank is required to have the Account Bank Rating.

#### *Interest*

If any amount is standing to the credit of an Issuer Account (other than the Deposit Account), such amount will bear interest at a rate and as agreed from time to time in writing between the Issuer and the Issuer Account Bank.

#### *Governing Law*

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

#### **The Corporate Services Agreement**

On or prior to the Closing Date, the Issuer, the Corporate Services Provider, the Share Trustee, Holdings 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 Non-DD Collection Account Declaration of Trust**

On 5 December 2013, the Seller, the Security Trustee and others entered into the Non-DD Collection Account Declaration of Trust (the "**Non-DD Collection Account Declaration of Trust**") pursuant to which the Seller declared a trust (the "**Non-DD Collection Account Trust**") in favour of, *inter alia*: (a) the Seller and (b) certain other additional beneficiaries that may accede to the terms of the Non-DD Collection Account Trust over all its rights, title, interest and benefit (both present and future) in the Non-DD Collection

Account, including all amounts standing to the credit of the Non-DD Collection Account, absolutely for each of the beneficiaries (including, following the execution of the Non-DD Collection Account Accession Undertaking (as defined below), the Issuer) in the manner and in the proportions specified in the Non-DD Collection Account Declaration of Trust.

On or prior to the Closing Date, the Issuer, the Seller, the Security Trustee and others will enter into an accession undertaking (the "**Non-DD Collection Account Accession Undertaking**") under which the Issuer will accede to the terms of the Non-DD Collection Account Declaration of Trust as a beneficiary of the Non-DD Collection Account Trust.

The Issuer's share of the Non-DD Collection Account Trust at any relevant time (the "**Non-DD Issuer Trust Share**") shall equal all amounts credited to the Non-DD Collection Account at such time in respect of the Loans and their Related Security comprised in the Portfolio taking into account any amounts previously paid to the Issuer in respect of the Loans and their Related Security.

Additional beneficiaries may from time to time on and from the Closing Date accede to the Non-DD Collection Account Declaration of Trust without the consent of the Issuer or the Security Trustee, however any such accession will not affect the manner in which the Non-DD Issuer Trust Share is calculated.

#### *Governing Law*

The Non-DD Collection Account Declaration of Trust and any non-contractual obligations arising out of or in connection with it will be governed by English law.

#### **The Collection Accounts Declaration of Trust**

On or prior to the Closing Date, the Issuer, the Seller, and the Security Trustee will enter into a collection accounts declaration of trust (the "**Collection Accounts Declaration of Trust** ") pursuant to which the Seller (as Collection Accounts Trustee (as defined therein)) will declare a trust (the "**Collection Accounts Trust**") in favour of the Issuer over all its rights, title, interest and benefit (both present and future) in the DD Collection Account and the Non-DD CMF 2017-1 Collection Account absolutely for the beneficiaries in the manner and in the proportions specified in the Collection Accounts Declaration of Trust.

#### *Governing Law*

The Collection Accounts Declaration of Trust and any non-contractual obligations arising out of or in connection with it will be governed by English law.

#### **The Collection Account Agreement**

On or prior to the Closing Date, the Issuer, the Seller, the Security Trustee and the Collection Account Bank will enter into a collection account agreement (the "**Collection Account Agreement**") pursuant to which the Seller (as Collection Accounts Trustee (as defined therein)) will appoint the Collection Account Bank as account bank in relation to the DD Collection Account and the Non-DD CMF 2017-1 Collection Account.

All Revenue Receipts and Redemption Receipts received in respect of the Loans from Borrowers by Direct Debit payment will be paid into the DD Collection Account. The Collection Account Bank will, unless it receives any instruction to the contrary from the Servicer or (following the delivery of an Enforcement Notice) the Security Trustee, automatically transfer (a) the aggregate amount of funds standing to the credit of the DD Collection Account that are available to be withdrawn at that time in excess of the minimum required balance and (b) the aggregate amount of funds standing to the credit of the Non-DD CMF 2017-1 Collection Account that are available to be withdrawn at that time on each Business Day. The Collection Account Bank shall be entitled at any time to deduct from amounts standing to the credit of the DD Collection Account or the Non-DD CMF 2017-1 Collection Account any amounts to satisfy any of its obligations and/or liabilities properly incurred under the Direct Debiting Scheme (in the case of the DD

Collection Account) and/or in respect of other unpaid sums relating to amounts received in respect of the Loans from Borrowers or to pay certain other amounts due or owing to the Collection Account Bank.

Certain fees and expenses of the Collection Account Bank will be paid by the Issuer, subject to and in accordance with the Priority of Payments.

#### *Governing Law*

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

#### **Other Agreements**

For a description of the Swap Agreement, see "*Credit Structure*" below.

## CREDIT STRUCTURE

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

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

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

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (v) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess payable to the Certificateholders under item (w) of the Pre-Enforcement Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio relative to the interest rates on the Notes (taking into account in respect of the Fixed Rate Loans amounts due to or by the Issuer pursuant to the terms of the Swap Agreement) (as to which, see "*Interest Rate Risk for the Notes*" below) and the performance of the Portfolio.

Available Revenue Receipts will be applied (after making payments ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio and from the application of Available Redemption Receipts as Principal Addition Amounts to cure any Senior Expenses Deficit in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date up to but excluding the Class B Redemption Date exceeds the aggregate of the payments required to be met under items (a) to (h) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish the Class A and Class B Liquidity Reserve Fund Ledger up to and including an amount equal to the Class A and Class B Liquidity Reserve Fund Required Amount.

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

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date from and including the Optional Redemption Date or the Final Redemption Date exceeds the aggregate of the payments required to be met under items (a) to (q) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, an amount equal to the lesser of (i) all remaining amounts (if any); and (ii) the amount required by the Issuer to pay in full all amounts payable under items (a) to (g) (inclusive) of the Pre-Enforcement Redemption Priority of Payments, less any Available Redemption Receipts (other than item (c) of the definition thereof) otherwise available to the Issuer, is available as Enhanced Amortisation Amounts to be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

## 2. **Rated Note Reserve Fund and Rated Note Reserve Fund Ledger**

On the Closing Date, the Issuer will establish a fund which will be credited with the Rated Note Reserve Fund Required Amount from part of the proceeds of the Noteholders' subscription for the Subordinated Notes on the Closing Date (the "**Rated Note Reserve Fund**") to provide liquidity support (and ultimately, credit enhancement) for the Rated Notes. The Rated Note Reserve Fund will be deposited in the Deposit Account (with a corresponding credit being made to the Rated Note Reserve Fund Ledger). The Issuer may invest the amounts standing to the credit of the Rated Note Reserve Fund from time to time in Authorised Investments. For more information about the application of the amounts standing to the credit of the Rated Note Reserve Fund, see the section "*Cashflows – Application of Monies released from the Rated Note Reserve Fund*" below.

The Cash Manager will maintain the Rated Note Reserve Fund Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Rated Note Reserve Fund.

After the Closing Date, on each Interest Payment Date up to and including the Final Redemption Date, the Rated Note Reserve Fund will be replenished up to the Rated Note Reserve Fund Required Amount from Available Revenue Receipts (to the extent available) in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments.

Following the determination by the Cash Manager on each Calculation Date up to and including the Calculation Date immediately preceding the Final Redemption Date of the Rated Note Reserve Fund Required Amount in respect of the immediately following Interest Payment Date, the Cash Manager shall determine the Rated Note Reserve Fund Excess Amount for application as Available Revenue Receipts on the immediately following Interest Payment Date (if any).

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

On any Calculation Date up to and including the Calculation Date immediately preceding the Final Redemption Date (prior to the service of an Enforcement Notice), if the Cash Manager determines that on the immediately following Interest Payment Date, there would be a Revenue Deficit, the Cash Manager will apply on such Interest Payment Date an amount from the Rated Note Reserve Fund equal to the lesser of:

- (a) the amount standing to the credit of the Rated Note Reserve Fund Ledger on such Interest Payment Date; and
- (b) the amount of such Revenue Deficit,

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

The "**Revenue Deficit**" shall be, on any Interest Payment Date an amount equal to the aggregate of:

- (a) any shortfall in Available Revenue Receipts and any Class A and Class B Liquidity Reserve Fund Release Amounts to pay items (a) to (f) and (h) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;



- (b) either (i) if there is no debit balance on the Class C Principal Deficiency Sub-Ledger on such Interest Payment Date, any shortfall in Available Revenue Receipts and any Class A and Class B Liquidity Reserve Fund Release Amounts to pay item (k) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date or (ii) if there is a debit balance on the Class C Principal Deficiency Sub-Ledger on such Interest Payment Date, zero;
- (c) either (i) if there is no debit balance on the Class D Principal Deficiency Sub-Ledger on such Interest Payment Date, any shortfall in Available Revenue Receipts and any Class A and Class B Liquidity Reserve Fund Release Amounts to pay item (m) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date or (ii) if there is a debit balance on the Class D Principal Deficiency Sub-Ledger on such Interest Payment Date, zero,

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

For the avoidance of doubt, in the event there is a shortfall in Available Revenue Receipts to pay items (k) or (m) in the Pre-Enforcement Revenue Priority of Payments on any applicable Interest Payment Date, but there is a debit balance on the Principal Deficiency Sub-Ledger for the relevant Class of Notes, the shortfall for the purposes of such item shall be deemed to be zero for the purposes of the calculation of any Rated Note Reserve Fund Release Amount and such items will not be relevant items for the purposes of the application of the Rated Note Reserve Fund Release Amount.

On the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit and then any Rated Note Reserve Fund Release Amount to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, and debiting such amounts from the Class A and Class B Liquidity Reserve Fund Ledger and/or the Rated Note Reserve Fund Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments, in each case on such Final Redemption Date) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

The "**Rated Note Reserve Fund Excess Amount**" on any Interest Payment Date will be an amount equal to the greater of:

- (a) zero; and
- (b) the amount standing to the credit of the Rated Note Reserve Fund Ledger on such Interest Payment Date, less the Rated Note Reserve Fund Required Amount on such Interest Payment Date.

**"Rated Note Reserve Fund Required Amount"** means:

- (a) on any Interest Payment Date up to and including the Final Redemption Date:
  - (i) if a Reserve Fund Amortising Trigger Event has not occurred prior to the Calculation Date immediately preceding such Interest Payment Date, an amount equal to 2 per cent. of the aggregate current Principal Amount Outstanding of the Rated Notes prior to the application of Available Redemption Receipts on such Interest Payment Date, minus the Class A and Class B Liquidity Reserve Fund Required Amount; and

- (ii) if a Reserve Fund Amortising Trigger Event has occurred prior to the Calculation Date immediately preceding such Interest Payment Date, an amount equal to 2 per cent. of the aggregate current Principal Amount Outstanding of the Rated Notes on the Interest Payment Date immediately preceding the date on which the Reserve Fund Amortising Trigger Event occurred (following to the application of Available Redemption Receipts on such Interest Payment Date), minus the Class A and Class B Liquidity Reserve Fund Required Amount; and
- (b) on each Interest Payment Date following the Final Rated Note Redemption Date, zero.

A "**Reserve Fund Amortising Trigger Event**" occurs if:

- (a) the Rated Notes are not redeemed in full on the Optional Redemption Date following the exercise of the Call Option by the Option Holder; or
- (b) Cumulative Defaults in respect of the Loans comprising the Portfolio are greater than 5 per cent. of the aggregate Current Balance of the Loans comprised in the Portfolio as at the Cut-Off Date.

"**Cumulative Defaults**" means, at any time, the Current Balance of all Loans that have been repossessed calculated at the point when the relevant Loan was repossessed.

### 3. **Use of Available Redemption Receipts to pay Senior Expenses Deficit**

On each Calculation Date prior to the service of an Enforcement Notice, and with reference to the immediately following Interest Payment Date, the Cash Manager will calculate whether there will be a shortfall of Available Revenue Receipts, Class A and Class B Liquidity Reserve Fund Release Amounts and any Rated Note Reserve Fund Release Amounts to pay items (a) to (f) and, provided the amount debited as a deficiency on the Class B Principal Deficiency Sub-Ledger is less than 50 per cent. of the Principal Amount Outstanding of the Class B Notes, (h) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date. If the Cash Manager determines that there will be a shortfall (such shortfall being "**Senior Expenses Deficit**"), then pursuant to item (a) of the Pre-Enforcement Redemption Priority of Payments, the Cash Manager on behalf of the Issuer shall apply an amount of Available Redemption Receipts equal to the lesser of:

- (a) the amount of Available Redemption Receipts available for application pursuant to the Pre-Enforcement Redemption Priority of Payments on such Interest Payment Date; and
- (b) the amount of such Senior Expenses Deficit,

(such amount being the "**Principal Addition Amount**"), in meeting such Senior Expenses Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments.

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

For more information about the application of Available Redemption Receipts to pay Senior Expenses Deficits, see the section "*Cashflows – Application of Available Redemption Receipts to cure a Senior Expenses Deficit*".

#### 4. **Class A and Class B Liquidity Reserve Fund and Class A and Class B Liquidity Reserve Fund Ledger**

On the Closing Date, the Issuer will establish a fund which will be credited with the Class A and Class B Liquidity Reserve Fund Required Amount from part of the proceeds of the Noteholders' subscription for the Subordinated Notes on the Closing Date (the "**Class A and Class B Liquidity Reserve Fund**") to provide liquidity support (and ultimately, credit enhancement) for the Class A Notes and the Class B Notes. The Class A and Class B Liquidity Reserve Fund will be deposited in the Deposit Account (with a corresponding credit being made to the Class A and Class B Liquidity Reserve Fund Ledger). The Issuer may invest amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund in Authorised Investments. For more information about the application of the amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund, see the section "*Cashflows – Application of Monies released from the Class A and Class B Liquidity Reserve Fund*" below.

The Cash Manager will maintain the Class A and Class B Liquidity Reserve Fund Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Class A and Class B Liquidity Reserve Fund.

After the Closing Date, on each Interest Payment Date up to but excluding the Class B Redemption Date, the Class A and Class B Liquidity Reserve Fund will be replenished up to the Class A and Class B Liquidity Reserve Fund Required Amount from Available Revenue Receipts (to the extent available) in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments.

Following the determination by the Cash Manager on each Calculation Date up to but excluding the Calculation Date immediately preceding the Class B Redemption Date of the Class A and Class B Liquidity Reserve Fund Required Amount in respect of the immediately following Interest Payment Date, the Cash Manager shall determine the Class A and Class B Liquidity Reserve Fund Excess Amount to be applied as Available Revenue Receipts on the immediately following Interest Payment Date (if any).

On each Interest Payment Date up to but excluding the Class B Redemption Date, the Cash Manager will apply as Available Revenue Receipts the Class A and Class B Liquidity Reserve Fund Excess Amount (as determined on the immediately preceding Calculation Date).

On any Calculation Date up to and including the Calculation Date immediately preceding the Class B Redemption Date (prior to the service of an Enforcement Notice), if the Cash Manager determines that on the immediately following Interest Payment Date, there would be a Class A and Class B Liquidity Deficit, the Cash Manager will apply on such Interest Payment Date an amount from the Class A and Class B Liquidity Reserve Fund equal to the lesser of:

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

(such amount being the "**Class A and Class B Liquidity Reserve Fund Release Amount**"), in meeting such Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments (any such amount to be debited from the Class A and Class B Liquidity Reserve Fund Ledger immediately prior to the application of any Rated Note Reserve Fund Release Amount, Principal Addition Amounts and Available Revenue Receipts pursuant to the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date).

On the Class B Redemption Date only, all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amount in meeting any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments and debiting such amount from the Class A and Class B Liquidity Reserve Fund Ledger) will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

The "**Class A and Class B Liquidity Deficit**" shall be, on any Interest Payment Date, an amount equal to any shortfall in Available Revenue Receipts (where such Interest Payment Date falls on the Class B Redemption Date, excluding item (e) of the definition thereof) to pay items (a) to (f) and (h) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date, as determined by the Cash Manager on the immediately preceding Calculation Date.

The "**Class A and Class B Liquidity Reserve Fund Excess Amount**" shall be, on each Interest Payment Date up to but excluding the Class B Redemption Date, all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund in excess of the Class A and Class B Liquidity Reserve Fund Required Amount on such Interest Payment Date (prior to any amounts being debited from or credited to the Class A and Class B Liquidity Reserve Fund Ledger on such date) and, on each other Interest Payment Date, zero.

"**Class A and Class B Liquidity Reserve Fund Required Amount**" means:

- (a) on any Interest Payment Date falling prior to the Class B Redemption Date:
  - (i) if a Reserve Fund Amortising Trigger Event has not occurred prior to the Calculation Date immediately preceding such Interest Payment Date, an amount equal to 2 per cent. of the aggregate current Principal Amount Outstanding of the Class A Notes and Class B Notes prior to the application of Available Redemption Receipts on such Interest Payment Date; and
  - (ii) if a Reserve Fund Amortising Trigger Event has occurred prior to the Calculation Date immediately preceding such Interest Payment Date, an amount equal to 2 per cent. of the aggregate current Principal Amount Outstanding of the Class A Notes and Class B Notes on the Interest Payment Date immediately preceding the date on which the Reserve Fund Amortising Trigger Event occurred (following to the application of Available Redemption Receipts on such Interest Payment Date); and
- (b) on any Interest Payment Date falling on or after the Class B Redemption Date, zero.

The "**Class B Redemption Date**" means the Interest Payment Date in respect of which the Cash Manager determines on the immediately preceding Calculation Date that, following the application on such Interest Payment Date of (i) Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, (ii) any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments and (iii) any Rated Note Reserve Fund Release Amounts in meeting any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments, the sum of the Available Redemption Receipts would be sufficient to redeem in full the Class B Notes on such Interest Payment Date.

## 5. **Principal Deficiency Ledger**

A Principal Deficiency Ledger will be established to record any Losses affecting the Loans in the Portfolio and/or any Principal Addition Amounts. The "**Principal Deficiency Ledger**" will comprise the following sub-ledgers: the Principal Deficiency Ledger relating to the Class A Notes (the "**Class A Principal Deficiency Sub-Ledger**"), the Principal Deficiency Ledger relating to the Class B Notes (the "**Class B Principal Deficiency Sub-Ledger**"), the Principal Deficiency Ledger relating to the Class C Notes (the "**Class C Principal Deficiency Sub-Ledger**"), the Principal Deficiency Ledger relating to the Class D Notes (the "**Class D Principal Deficiency Sub-Ledger**") and the Principal Deficiency Ledger relating to the Class Z Notes (the "**Class Z Principal Deficiency Sub-Ledger**") (each a "**Principal Deficiency Sub-Ledger**"). Any Losses on the Portfolio and/or any Principal Addition Amounts will be recorded as a debit (on the date that the Cash Manager is informed of such Losses by the Servicer or such Principal Addition Amounts are determined by the Cash Manager (as applicable)) (a) first, to the Class Z Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class Z Notes; (b) second, to the Class D Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class D Notes; (c) third, to the Class C Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class C Notes; (d) fourth, to the Class B Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class B Notes; and (e) fifth, to the Class A Principal Deficiency Sub-Ledger up to a maximum amount equal to the Principal Amount Outstanding of the Class A Notes. Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Loan to outstanding fees and interest amounts due and payable on the relevant Loan. The Cash Manager will record as a credit to the Principal Deficiency Ledger (i) Available Revenue Receipts applied pursuant to items (g), (j), (l), (n) and (on any Interest Payment Date other than the Call Option Redemption Date) (p) of the Pre-Enforcement Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon become Available Redemption Receipts) and (ii) Enhanced Amortisation Amounts applied in accordance with item (r) of the Pre-Enforcement Revenue Priority of Payments (which amounts shall, for the avoidance of doubt, thereupon become Available Redemption Receipts).

Any amount credited to the Principal Deficiency Ledger in respect of Enhanced Amortisation Amounts will be reduced to the extent of any future Losses arising in respect of the Portfolio.

## 6. **Available Revenue Receipts and Available Redemption Receipts**

Available Revenue Receipts and Available Redemption Receipts shall be applied on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments, respectively. Other than amounts which the Issuer expects to generate in each accounting period as its profit in respect of the business of the Issuer, amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund Ledger (other than any amounts representing Class A and Class B Liquidity Reserve Fund Release Amounts or Class A and Class B Liquidity Reserve Fund Excess Amounts), the Rated Note Reserve Fund Ledger (other than any amounts representing Rated Note Reserve Fund Release Amounts or Rated Note Reserve Fund Excess Amounts) and the Swap Collateral Ledger (if any), it is not intended that any surplus will be accumulated in the Issuer.

If, on any Interest Payment Date while there are Rated Notes outstanding, the Issuer has insufficient Available Revenue Receipts, Class A and Class B Liquidity Reserve Fund Release Amounts, Rated Note Reserve Fund Release Amounts and Principal Addition 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.

## 7. Interest Rate Risk for the Notes

### *Swap Agreement*

On or about the Closing Date, the Issuer and the Swap Provider will enter into the ISDA Master Agreement, schedule, credit support annex and confirmation (as amended or supplemented from time to time) relating to the Swap Transaction (the "**Swap Agreement**").

"**ISDA Master Agreement**" means the 2002 ISDA Master Agreement, as published by ISDA.

### *Swap Transaction*

Some of the Loans in the Portfolio pay or will pay a fixed rate of interest for an initial period of time. However, the Issuer's liabilities under the Rated Notes are based on LIBOR for the relevant period.

To provide a hedge against the possible variance between:

- (a) the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio; and
- (b) the rate of interest under the Rated Notes being calculated by reference to LIBOR,

the Issuer will enter into the Swap Transaction with the Swap Provider under the Swap Agreement on the Closing Date. The Swap Transaction was priced on or about 20 July 2017. The size of the premium will depend on the difference (if any) between the pricing of the Swap Transaction and the market rate on the Closing Date.

Under the Swap Transaction, for each Swap Calculation Period falling prior to the termination date of the Swap Transaction, the following amounts will be calculated:

- (a) the amount produced by applying three month (or, in respect of the first period, the linear interpolation of one and three month) LIBOR to the Notional Amount (as defined below) of the Swap Transaction for the relevant Swap Calculation Period and multiplying the resulting amount by the Day Count Fraction (as defined below) (the "**Swap Provider Swap Amount**"); and
- (b) the amount produced by applying a Fixed Rate (as defined in the Swap Agreement) to the Notional Amount of the Swap Transaction for the relevant Swap Calculation Period and multiplying the resulting amount by the Day Count Fraction (the "**Issuer Swap Amount**").

After these two amounts are calculated in relation to a Swap Payment Date, the following payments will be made on that Swap Payment Date:

- (a) if the Swap Provider Swap Amount for that Swap Payment Date is greater than the Issuer Swap Amount for that Swap Payment Date, then the Swap Provider will pay an amount equal to the excess to the Issuer;
- (b) if the Issuer Swap Amount for that Swap Payment Date is greater than the Swap Provider Swap Amount for that Swap Payment Date, then the Issuer will pay an amount equal to the excess to the Swap Provider; and

(c) if the two amounts are equal, neither party will make a payment to the other.

For the purposes of calculating both the Issuer Swap Amount and Swap Provider Swap Amount in respect of a Swap Calculation Period, the notional amount of the Swap Transaction (the "**Notional Amount**") will be set out in a pre-agreed table to the Swap Transaction and based on the expected repayment profile of the Fixed Rate Loans assuming a 0 per cent. constant prepayment rate on the Current Balance of the Fixed Rate Loans in the Portfolio as at the Cut-Off Date.

For the purposes of determining the amounts payable under the Swap Transaction the following definitions apply:

"**Day Count Fraction**" means in respect of any Swap Calculation Period, the number of calendar days in that Swap Calculation Period divided by 365;

"**Swap Calculation Period**" means (other than the first Swap Calculation Period), each period that commences on (and includes) a Swap Payment Date and ends on (but excludes) the immediately following Swap Payment Date and in respect of the first Swap Calculation Period, means the period commencing on (and including) the Closing Date and ending on (but excluding) the Swap Payment Date falling in September 2017; and

"**Swap Payment Date**" means 12 March, 12 June, 12 September and 12 December in each year commencing on 12 September 2017 and ending on the termination date of the Swap Transaction, in each case subject to adjustment in accordance with the modified following business day convention as set out in the Swap Agreement.

The Swap Transaction may not fully hedge the Issuer's interest rate risk as discussed under the section entitled "*Risk Factors – Interest Rate Risk*" above.

#### *General*

If a payment is made by the Swap Provider (other than (i) any early termination amount received by the Issuer under the Swap Agreement, (ii) Swap Collateral, (iii) any Replacement Swap Premium paid to the Issuer, and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date other than, in each case, any Swap Collateral Account Surplus which is to be applied as Available Revenue Receipts in accordance with the Swap Collateral Account Priority of Payments), that payment will be included in the Available Revenue Receipts and will be applied on the relevant Swap Payment Date according to the applicable Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the applicable Priority of Payments of the Issuer.

Under the terms of the Swap Agreement, in the event that the relevant rating(s) of the Swap Provider assigned by a Rating Agency falls below the required swap rating (the "**Required Swap Rating**") (as to which see further the section entitled "*Transaction Overview – Triggers Tables*"), the Swap Provider will, in accordance with the Swap Agreement, be required to take certain remedial measures within the timeframe stipulated in the Swap Agreement and at its own cost which may include providing collateral for its obligations under the Swap Transaction, arranging for its obligations under the Swap Transaction to be transferred to an entity with the Required Swap Ratings or procuring another eligible entity with the Required Swap Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Transaction. If there is an early termination of the Swap Agreement, the Cash Manager (on behalf of the Issuer) or, following the service of an Enforcement Notice, the Security Trustee shall instruct the Issuer Account Bank to liquidate any securities constituting Swap Collateral in the Swap Collateral Account on a delivery versus payment basis promptly following such early termination of the Swap Agreement. However, no assurance can be given that, at the time that such actions are required, sufficient collateral will be available to the Swap Provider for posting or that another entity with the Required Swap Rating will be available to become a replacement swap provider, co-obligor or guarantor or that the applicable

Swap Provider will be able to take the requisite other action. If the remedial measures following a downgrade below the Required Swap Rating are not taken within the applicable time frames, this will in certain circumstances permit the Issuer to terminate the Swap Agreement early.

The Swap Transaction may be terminated in certain circumstances, including the following, each as more specifically defined in the Swap Agreement (an "**Early Termination Event**"):

- (a) if there is a failure by a party to pay amounts due under the Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to the Swap Provider;
- (c) if a material misrepresentation is made by the Swap Provider under the Swap Agreement;
- (d) if a breach of a provision of the Swap Agreement by the Swap Provider is not remedied within the applicable grace period;
- (e) if a change of law results in the obligations of one of the parties becoming illegal;
- (f) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Swap Transaction due to a change in law;
- (g) if the Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement and described above;
- (h) service by the Note Trustee of an Enforcement Notice on the Issuer pursuant to Condition 11 (*Events of Default*) of the Notes;
- (i) if there is a redemption of the Rated Notes pursuant to Conditions 8.3 (*Mandatory Redemption of the Notes in Full*) or 8.4 (*Mandatory Redemption of the Notes for Taxation or Other Reasons*); and
- (j) any of the Transaction Documents are modified without the Swap Provider's prior written consent, and such modification has the effect of altering (i) the amount, timing or priority of any payments or deliveries due from the Issuer to the Swap Provider or (ii) any requirement to obtain the Swap Provider's prior consent (written or otherwise) in respect of any matter.

Under the terms of the Swap Agreement, upon an early termination of the Swap Transaction, depending on the type of Early Termination Event and the circumstances prevailing at the time of termination, the Issuer or the Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment may reflect, among other things, the cost of entering into a replacement transaction at the time, third party market data such as rates, prices, yields and yield curves, or similar information derived from internal sources of the party making the determination and will include any unpaid amounts that became due and payable on or prior to the date of termination.

Depending on the terms of the Swap Transaction and the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available for paying amounts due to the Noteholders.

The Issuer will use its reasonable endeavours, upon termination of the Swap Agreement, to find a replacement Swap Provider although no guarantees of such replacement can be given.



The Issuer is not obliged under the Swap Agreement to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed on payments made under the Swap Transaction.

The Swap Provider will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on payments made by it under the Swap Agreement.

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

## CASHFLOWS

### Definition of Revenue Receipts

"**Revenue Receipts**" means (a) payments of interest and other fees due from time to time under the Loans (including any Early Repayment Charges) and other amounts received by the Issuer in respect of the Loans and their Related Security other than payments of interest, fees and other amounts comprising Optional Purchase Collections, the Optional Purchase Price received by the Issuer pursuant to the exercise of the Call Option and Redemption Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced, (c) recoveries of all amounts from defaulting Borrowers under Loans following enforcement and sale of the relevant property and (d) the proceeds of repurchase attributable to Accrued Interest and Arrears of Interest only of any Loan repurchased by the Seller from the Issuer pursuant to the Mortgage Sale Agreement.

### Definition of Available Revenue Receipts

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

- (a) all Revenue Receipts or, if in a Determination Period, any Calculated Revenue Receipts, in each case excluding any Reconciliation Amounts to be applied as Available Redemption Receipts on that Interest Payment Date, received by the Issuer:
  - (i) during the immediately preceding Collection Period; or
  - (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security by the Seller pursuant to the Mortgage Sale Agreement, from but excluding the Collection Period Start Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Collection Period Start Date;
- (b) interest payable to the Issuer on the Issuer Accounts and received in the immediately preceding Collection Period (other than any amount of interest or income received in respect of any Swap Collateral) and income from any Authorised Investments to be received on or prior to the Interest Payment Date (other than any amount of income received in respect of the Swap Collateral);
- (c) amounts received or to be received by the Issuer under or in connection with the Swap Agreement (other than (i) any early termination amount received by the Issuer under the Swap Agreement, (ii) Swap Collateral, (iii) any Replacement Swap Premium paid to the Issuer, and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date other than, in each case, any Swap Collateral Account Surplus which is to be applied as Available Revenue Receipts in accordance with the Swap Collateral Account Priority of Payments);
- (d) on each Interest Payment Date up to but excluding the Class B Redemption Date, the Class A and Class B Liquidity Reserve Fund Excess Amount;
- (e) on the Class B Redemption Date only, all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund Ledger (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amount in meeting any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments and debiting such amount from the Class A and Class B Liquidity Reserve Fund Ledger);

- (f) on each Interest Payment Date up to and including the Final Redemption Date, the Rated Note Reserve Fund Excess Amount;
- (g) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*);
- (h) amounts credited to the Deposit Account on the previous Interest Payment Date in accordance with item (v) of the Pre-Enforcement Revenue Priority of Payments;
- (i) amounts representing the Optional Purchase Price received by the Issuer upon sale of the Loans and their Related Security comprising the Portfolio further to exercise of the Call Option; and
- (j) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Redemption Receipts;
- (k) amounts determined to be applied as Available Revenue Receipts on the immediately succeeding Interest Payment Date in accordance with item (h) of the Pre-Enforcement Redemption Priority of Payment;

*less:*

- (l) 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 Servicer in respect of its servicing of the Loans, other than the Base Fee and not otherwise covered by the items below;
  - (ii) payments of certain insurance premiums in respect of the Block Insurance Policies (to the extent referable to the Loans);
  - (iii) amounts under a Direct Debit which are repaid to the bank making the payment if such bank is unable to recoup or recall such amount itself from its customer's account or is required to refund an amount previously debited; and
  - (iv) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower,
 (items within (l) being collectively referred to herein as "**Third Party Amounts**");
- (m) 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
- (n) (taking into account any amount paid by way of Third Party Amounts) amounts to remedy any overdraft in relation to the DD Collection Account or the Non-DD CMF 2017-1 Collection Account or to pay any amounts due to the Collection Account Bank.

#### **Application of Monies released from the Rated Note Reserve Fund**

Prior to service of an Enforcement Notice on the Issuer, (i) the Rated Note Reserve Fund Excess Amount will be applied on each Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and (ii) an amount equal to the Rated Note Reserve Fund Release Amount will be applied (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amount to meet any Class A and Class B Liquidity Deficit) on each Interest Payment Date to meet

any Revenue Deficit existing on such Interest Payment Date against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments.

On the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund Ledger (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit and then any Rated Note Reserve Fund Release Amount to meet any Revenue Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments, and debiting such amounts from the Class A and Class B Liquidity Reserve Fund Ledger and/or the Rated Note Reserve Fund Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments, in each case on such Final Redemption Date) will be applied as Available Redemption Receipts in accordance with the Pre-Enforcement Redemption Priority of Payments.

Following service of an Enforcement Notice on the Issuer, all amounts standing to the credit of the Rated Note Reserve Fund Ledger will be applied in accordance with the Post-Enforcement Priority of Payments.

#### **Application of Available Redemption Receipts to cure a Senior Expenses Deficit**

Prior to service of an Enforcement Notice on the Issuer, if the Cash Manager calculates that there will be a Senior Expenses Deficit on the immediately following Interest Payment Date (taking into account any Class A and Class B Liquidity Reserve Fund Release Amounts and any Rated Note Reserve Fund Release Amounts), the Issuer shall apply Available Redemption Receipts (to the extent available) as Principal Addition Amounts to meet any Senior Expenses Deficit on such Interest Payment Date against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments, provided that, in respect of any deficit in relation to interest on the Class B Notes, the amounts debited as a deficiency on the Class B Principal Deficiency Sub-Ledger is less than 50 per cent. of the Principal Amount Outstanding of the Class B Notes.

If any Principal Addition Amounts are applied on any Interest Payment Date in accordance with item (a) of the Pre-Enforcement Redemption Priority of Payments, the Issuer (or the Cash Manager on its behalf) will make a corresponding debit entry in the Principal Deficiency Ledger.

#### **Application of Monies released from the Class A and Class B Liquidity Reserve Fund**

Prior to service of an Enforcement Notice on the Issuer, (i) the Class A and Class B Reserve Fund Excess Amount will be applied on each Interest Payment Date up to but excluding the Class B Redemption Date as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and (ii) an amount equal to the Class A and Class B Liquidity Reserve Fund Release Amount will be applied on each Interest Payment Date up to and including the Class B Redemption Date to meet any Class A and Class B Liquidity Deficit existing on such Interest Payment Date against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order that they appear in the Pre-Enforcement Revenue Priority of Payments.

On the Class B Redemption Date only, all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund Ledger (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amount in meeting any Class A and Class B Liquidity Deficit against the relevant items in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments and debiting such amount from the Class A and Class B Liquidity Reserve Fund Ledger) will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

Following service of an Enforcement Notice on the Issuer, all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund Ledger will be applied in accordance with the Post-Enforcement Priority of Payments.

## **Application of Available Revenue 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 Manager, on behalf of the Issuer, shall apply or provide for the application of the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Enforcement Revenue Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any fees, costs, charges, Liabilities, expenses and all other amounts then due to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein; and
  - (ii) any fees, costs, charges, Liabilities, expenses and all other amounts then due to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
  
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof (in each case without double counting) of:
  - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agent and any fees, costs, charges, Liabilities and expenses then due to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, Liabilities and expenses then due under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;
  - (iii) any amounts then due and payable to the Servicer and any fees (including the Base Fee), costs, charges, Liabilities and expenses then due under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
  - (iv) any amounts then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, Liabilities and expenses then due under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, Liabilities and expenses then due under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
  - (vi) any amounts then due and payable to the Issuer Account Bank and any custodian and any fees, costs, charges, Liabilities and expenses then due under the provisions of the Bank Account Agreement and any Custody Agreement, together with (if applicable) VAT thereon as provided therein; and
  - (vii) any amounts then due and payable to the Collection Account Bank and any fees, costs, charges, Liabilities and expenses then due under the provisions of the Collection Account Agreement, together with (if applicable) VAT thereon as provided therein;
  
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

- (i) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts 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 (e) below); and
  - (ii) any Transfer Costs which the Servicer has failed to pay pursuant to Clause 18.3 of the Servicing Agreement;
- (d) *fourth*, to provide for amounts due on the relevant Swap Payment Date, to pay, in or towards satisfaction of any amounts due to the Swap Provider in respect of the Swap Agreement (including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the Swap Provider of any Replacement Swap Premium or from the Swap Collateral Account Priority of Payments but excluding, if applicable, any related Hedge Subordinated Amounts);
  - (e) *fifth*, 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**");
  - (f) *sixth*, 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;
  - (g) *seventh*, (so long as the Class A Notes remain outstanding following such Interest Payment Date), to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
  - (h) *eighth*, 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;
  - (i) *ninth*, to credit the Class A and Class B Liquidity Reserve Fund Ledger up to the Class A and Class B Liquidity Reserve Fund Required Amount;
  - (j) *tenth*, (so long as the Class B Notes remain outstanding following such Interest Payment Date), to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
  - (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 C Notes;
  - (l) *twelfth*, (so long as the Class C Notes remain outstanding following such Interest Payment Date), to credit the Class C Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
  - (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 D Notes;
  - (n) *fourteenth*, (so long as the Class D Notes remain outstanding following such Interest Payment Date), to credit the Class D Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);
  - (o) *fifteenth*, to credit the Rated Note Reserve Fund Ledger up to the Rated Note Reserve Fund Required Amount;
  - (p) *sixteenth*, (so long as the Class Z Notes remain outstanding following such Interest Payment Date), on each Interest Payment Date other than the Call Option Redemption Date, to credit the Class Z

Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Redemption Receipts);

- (q) *seventeenth*, to provide for amounts due on the relevant Interest Payment Date, to pay in accordance with the terms of the Swap Agreement to the Swap Provider in respect of any Hedge Subordinated Amounts (to the extent not satisfied by payment to the Swap Provider by the Issuer of any applicable Replacement Swap Premium or from the Swap Collateral Account Priority of Payments);
- (r) *eighteenth*, on any Interest Payment Date occurring on or after the Optional Redemption Date or the Final Redemption Date an amount equal to the lesser of:
  - (i) all remaining amounts (if any); and
  - (ii) the amount required by the Issuer to pay in full all amounts payable under items (a) to (g) (inclusive) of the Pre-Enforcement Redemption Priority of Payments, less any Available Redemption Receipts (other than item (c) of the definition thereof) otherwise available to the Issuer,

to be applied as Available Redemption Receipts;

- (s) *nineteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, interest due and payable on the Class Z Notes;
- (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 Subordinated Notes;
- (u) *twenty-first*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari-passu*, principal due and payable on the Subordinated Notes until the Principal Amount Outstanding on the Subordinated Notes has been reduced to zero;
- (v) *twenty-second*, on any Interest Payment Date falling within a Determination Period, all remaining amounts to be credited to the Deposit Account to be applied on the next Interest Payment Date as Available Revenue Receipts; and
- (w) *twenty-third*, on any Interest Payment Date prior to (but excluding) the Optional Redemption Date any excess amounts *pro rata* and *pari passu* as RC1 Payments to the holders of the RC1 Residual Certificates and thereafter, any excess amounts *pro rata* and *pari passu* as RC2 Payments to the holders of the RC2 Residual Certificates.

As used in this Prospectus:

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

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

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

"**Base Fee**" means a fee (inclusive of VAT, if any) that the Issuer shall pay to the Servicer, of up to 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 0.20 per cent. per annum on the

aggregate Current Balance of the Loans (excluding any Enforced Loans) on the Collection Period Start Date at the start of the immediately preceding Collection Period, in consideration for the Servicer providing Services, being the cash management and incidental administration element of the Services and carrying out the other duties and obligations on its part set out in the Servicing Agreement;

**"Call Option Redemption Date"** means any Final Redemption Date falling on the Optional Purchase Completion Date.

**"Custody Agreement"** means any securities custody agreement opened from time to time by the Issuer, with the consent of the Security Trustee.

**"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 Loan before a specified date in the Mortgage Conditions.

**"Fixed Rate Accrual Date"** means the 12th day of each of March, June, September and December in each year.

**"Hedge Subordinated Amounts"** means, in relation to the Swap Agreement, the amount of any termination payment due and payable to the Swap Provider as a result of a Swap Provider Default or a Swap Provider Downgrade Event except to the extent such amount has already been paid pursuant to the Swap Collateral Account Priority of Payments.

**"Interest Period"** means:

- (a) in relation to a Class of Rated Notes, 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; and
- (b) in relation to the Class Z Notes or the Subordinated Notes, the period from (and including) a Fixed Rate Accrual Date (except in the case of the first Interest Period, which shall commence on (and include) the Closing Date) to (but excluding) the next following Fixed Rate Accrual Date.

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

**"Replacement Swap Agreement"** means an agreement between the Issuer and a replacement swap provider to replace the Swap Transaction.

**"Replacement Swap Premium"** means an amount received by the Issuer from a replacement swap provider, or an amount paid by the Issuer to a replacement swap provider, upon entry by the Issuer into a Replacement Swap Agreement.

**"Swap Collateral"** means the collateral provided by the Swap Provider to the Issuer under the Swap Agreement and includes any interest and distributions in respect thereof.

**"Swap Provider Default"** means the occurrence of an Event of Default (as defined in the Swap Agreement) where the Swap Provider is the defaulting party (as defined in the Swap Agreement).

**"Swap Provider Downgrade Event"** means the occurrence of an Additional Termination Event (as defined in the Swap Agreement) following the failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the Swap Agreement.



"**Swap Tax Credits**" means any credit, allowance, set-off or repayment received by the Issuer in respect of tax from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by the Swap Provider to the Issuer under the terms of the Swap Agreement.

"**Transfer Costs**" means the Issuer's costs and expenses associated with the transfer of servicing to a substitute servicer.

### **Definition of Redemption Receipts**

"**Redemption Receipts**" means (a) principal repayments under the Loans (including payments of arrears of principal and Capitalised Amounts) other than any principal repayments comprising Optional Purchase Collections and the Optional Purchase Price received by the Issuer pursuant to the exercise of the Call Option, (b) recoveries of principal from defaulting Borrowers under Loans being enforced, (c) recoveries of principal from defaulting Borrowers under Loans in respect of which enforcement procedures relating to the sale of the property have been completed (including the proceeds of sale of the relevant Property, to the extent such proceeds of sale are deemed to be principal but excluding all amounts received following a sale of the relevant Property), (d) any payment pursuant to any insurance policy in respect of a Property in connection with a Loan in the Portfolio, to the extent such payment is deemed to be principal, (e) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (but for the avoidance of doubt, excluding amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date), and (f) any other payment received by the Issuer in the nature of principal.

"**Capitalised Amounts**" means, in relation to a Loan, at any date, amounts which are due or overdue in respect of that Loan (other than any principal amounts) and which as at that date have been capitalised in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower and any other amounts (including fees and expenses), capitalised in accordance with the Capitalisation Policy.

### **Definition of Available Redemption Receipts**

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

- (a) all Redemption Receipts or, if in a Determination Period, any Calculated Redemption Receipts, in each case excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, received by the Issuer:
  - (i) during the immediately preceding Collection Period; or
  - (ii) if representing amounts received in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement, received by the Issuer from but excluding the Collection Period Start Date immediately preceding the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, from and including the Closing Date) to and including the immediately preceding Collection Period Start Date;
- (b) the amounts (if any) calculated on the Calculation Date preceding that Interest Payment Date pursuant to the Pre-Enforcement Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger and/or the Class C Principal Deficiency Sub-Ledger and/or the Class D Principal Deficiency Sub-Ledger and/or the Class Z Principal Deficiency Sub-Ledger is to be reduced on that Interest Payment Date;
- (c) any amounts deemed to be Available Redemption Receipts in accordance with item (r) of the Pre-Enforcement Revenue Priority of Payments (the "**Enhanced Amortisation Amounts**");

- (d) on the Final Redemption Date only, all amounts standing to the credit of the Rated Note Reserve Fund (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit and then any Rated Note Reserve Fund Release Amount in meeting any Revenue Deficit against the relevant item in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments and debiting such amounts from the Class A and Class B Liquidity Reserve Fund Ledger and/or the Rated Note Reserve Fund Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments, in each case on such Final Redemption Date);
- (e) on each Interest Payment Date following a Determination Period, any Reconciliation Amounts deemed to be Available Redemption Receipts in accordance with Condition 6.9(c) (*Determinations and Reconciliation*); and
- (f) (in respect of the first Interest Payment Date only) the amount paid into the Deposit Account on the Closing Date from the excess of the proceeds of the Notes (excluding the proceeds of the Class Z Notes used to establish the Class A and Class B Liquidity Reserve Fund and the Rated Note Reserve Fund) over the Initial Consideration.

**Application of Available Redemption 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 Manager on behalf of the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Redemption Receipts on each Interest Payment Date in the following order of priority (the "**Pre-Enforcement Redemption Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full):

- (a) *first*, any Principal Addition Amounts to be applied to meet any Senior Expenses Deficit;
- (b) *second*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (c) *third*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero;
- (d) *fourth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero;
- (e) *fifth*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
- (f) *sixth*, on any date on or after the Optional Redemption Date or the Final Redemption Date, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu*, the interest due and payable on the Class Z Notes;
- (g) *seventh*, in or towards repayment, *pro rata* and *pari passu*, of principal amounts outstanding on the Class Z Notes until the Principal Amount Outstanding on the Class Z Notes has been reduced to zero; and
- (h) *eighth*, any excess amounts as Available Revenue Receipts.

## Distributions following the service of an Enforcement Notice on the Issuer

After an Enforcement Notice has been served on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or any Receiver appointed by the Security Trustee in connection with the enforcement of the Security will apply all amounts received or recovered other than:

- (a) any amount standing to the credit of the Swap Collateral Account which will be applied in accordance with the Swap Collateral Account Priority of Payments (other than any amount to be applied as Swap Collateral Account Surplus in accordance with the Swap Collateral Account Priority of Payments); and
- (b) any amount standing to the credit of the Issuer Profit Ledger, which shall be applied by the Issuer in or towards satisfaction of any liability of the Issuer for corporation tax of the Issuer,

in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Post-Enforcement Priority of Payments**" and, together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Redemption Priority of Payments, the "**Priority of Payments**"):

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof of:
  - (i) any fees, costs, charges, Liabilities, expenses and all other amounts then due and payable to the Note Trustee, Receiver and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
  - (ii) any fees, costs, charges, Liabilities, expenses and all other amounts then due and payable to the Security Trustee, Receiver and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agent and any costs, charges, Liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
  - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, Liabilities and expenses then due under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;
  - (iii) any amounts then due and payable to the Servicer and any fees (including the Base Fee), costs, charges, Liabilities and expenses then due under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
  - (iv) any amounts then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, Liabilities and expenses then due under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
  - (v) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, Liabilities and expenses then due and payable to the Corporate Services Provider

under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;

- (vi) any amounts then due and payable to the Issuer Account Bank and any custodian and any fees, costs, charges, Liabilities and expenses then due and payable to the Issuer Account Bank under the provisions of the Bank Account Agreement and any Custody Agreement, together with (if payable) VAT thereon as provided therein; and
  - (vii) any amounts then due and payable to the Collection Account Bank and any fees, costs, charges, Liabilities and expenses then due under the provisions of the Collection Account Agreement, together with (if applicable) VAT thereon as provided therein;
- (c) *third*, to pay in or towards satisfaction of any amounts due to the Swap Provider in respect of the Swap Agreement (including any termination payment due and payable by the Issuer to the extent it is not satisfied by any payments by the Issuer to the Swap Provider under the Swap Collateral Account Priority of Payments but excluding, if applicable, any related Hedge Subordinated Amounts);
  - (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 A Notes until the Principal Amount Outstanding on the Class A 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 B Notes until the Principal Amount Outstanding on the Class B 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 C Notes until the Principal Amount Outstanding on the Class C 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 D Notes until the Principal Amount Outstanding on the Class D Notes has been reduced to zero;
  - (h) *eighth*, on the Final Redemption Date only, an amount equal to all amounts standing to the credit of the Rated Note Reserve Fund (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit and then any Rated Note Reserve Fund Release Amount in meeting any Revenue Deficit against the relevant item in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement Revenue Priority of Payments and debiting such amounts from the Class A and Class B Liquidity Reserve Fund Ledger and/or the Rated Note Reserve Fund Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments, in each case on such Final Redemption Date);
  - (i) *ninth*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Class Z Notes until the Principal Amount Outstanding on the Class Z Notes has been reduced to zero;
  - (j) *tenth*, to pay in accordance with the terms of the Swap Agreement to the Swap Provider in respect of any Hedge Subordinated Amounts (to the extent not satisfied by payment to the Swap Provider by the Issuer of any applicable amount under the Swap Collateral Account Priority of Payments);
  - (k) *eleventh*, to pay, *pro rata* and *pari passu*, according to the respective outstanding amounts thereof, interest and principal due and payable on the Subordinated Notes until the Principal Amount Outstanding on the Subordinated Notes has been reduced to zero;

- (l) *twelfth*, to pay, *pro rata* and *pari passu*, amounts due and payable to third parties (if any);
- (m) *thirteenth*, to pay the Issuer Profit Amount; and
- (n) *fourteenth*, on any Interest Payment Date prior to (but excluding) the Optional Redemption Date to pay any excess amounts, *pro rata* and *pari passu* as RC1 Payments to the holders of the RC1 Residual Certificates and thereafter to pay any excess amounts, *pro rata* and *pari passu*, on such Interest Payment Date, as RC2 Payments to the holders of the RC2 Residual Certificates.

### **Swap Collateral**

In the event that the Swap Provider is required to transfer collateral to the Issuer in respect of its obligations under the Swap Agreement (the "**Swap Collateral**") in accordance with the terms of the Credit Support Annex of the Swap Agreement (the "**Swap Credit Support Annex**"), that Swap Collateral (and any interest and/or distributions earned thereon) will be credited to a separate swap collateral account (the "**Swap Collateral Account**") and credited to the Swap Collateral Ledger. In addition, upon any early termination of the Swap Agreement (a) any Replacement Swap Premium received by the Issuer from a replacement swap provider, (b) any termination payment received by the Issuer from the outgoing Swap Provider and (c) any Swap Tax Credits will be credited to the Swap Collateral Account and recorded on the Swap Collateral Ledger.

Amounts and securities standing to the credit of each Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) and recorded on the Swap Collateral Ledger will not be available for the Issuer or the Security Trustee to make payments to the Secured Creditors generally, but may be applied by the Cash Manager only in accordance with the following provisions in accordance with the instructions of the Swap Provider or the Servicer (the "**Swap Collateral Account Priority of Payments**"):

- (a) to pay an amount equal to any Swap Tax Credits received by the Issuer to the relevant Swap Provider;
- (b) prior to the designation of an Early Termination Date (as defined in the Swap Agreement, the "**Early Termination Date**") in respect of the Swap Agreement, solely in or towards payment or discharge of any Return Amounts (as defined in the Swap Credit Support Annex), Interest Amounts and Distributions (as defined in the Swap Credit Support Annex), on any day, directly to the Swap Provider;
- (c) following the designation of an Early Termination Date in respect of the Swap Agreement where (A) such Early Termination Date has been designated following a Swap Provider Default or Swap Provider Downgrade Event and (B) the Issuer enters into a Replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement, on the later of the day on which such Replacement Swap Agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
  - (i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement being terminated;
  - (ii) *second*, in or towards payment of any termination payment due to the outgoing Swap Provider; and
  - (iii) *third*, the surplus (if any) on such day to be transferred to the Deposit Account to be applied as Available Revenue Receipts;

- (d) following the designation of an Early Termination Date in respect of the Swap Agreement where: (A) such Early Termination Date has been designated otherwise than as a result of one of the events specified at item (c)(A) above, and (B) the Issuer enters into a Replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement, on the later of the day on which such Replacement Swap Agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
- (i) *first*, in or towards payment of any termination payment due to the outgoing Swap Provider;
  - (ii) *second*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement being terminated; and
  - (iii) *third*, any surplus on such day to be transferred to the Deposit Account to be applied as Available Revenue Receipts;
- (e) following the designation of an Early Termination Date in respect of the Swap Agreement for any reason where the Issuer does not enter into a Replacement Swap Agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement and, on the date on which the relevant payment is due, in or towards payment of any termination payment due to the outgoing Swap Provider; and
- (f) following payments of amounts due pursuant to (e) above, if amounts remain standing to the credit of a Swap Collateral Account, such amounts may be applied only in accordance with the following provisions:
- (i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a Replacement Swap Agreement with the Issuer with respect to the Swap Agreement; and
  - (ii) *second*, any surplus remaining after payment of such Replacement Swap Premium to be transferred to the Deposit Account to be applied as Available Revenue Receipts,

*provided* that for so long as the Issuer does not enter into a Replacement Swap Agreement with respect to the Swap Agreement, on each Swap Payment Date, the Issuer (or the Cash Manager on its behalf) will be permitted to withdraw an amount from the Swap Collateral Account (which shall be debited to the Swap Collateral Ledger), equal to the excess of the Swap Provider Swap Amount over the Issuer Swap Amount which would have been paid by the Swap Provider to the Issuer on such Swap Payment Date but for the designation of an Early Termination Date under the Swap Agreement, such surplus to be transferred to the Deposit Account to be applied as Available Revenue Receipts; and

*provided further* that for so long as the Issuer does not enter into a Replacement Swap Agreement with respect to the Swap Agreement on or prior to the earlier of:

- (A) the Calculation Date immediately before the Interest Payment Date on which the Principal Amount Outstanding of all Rated Notes would be reduced to zero (taking into account any Swap Collateral Account Surplus to be applied as Available Revenue Receipts on such Interest Payment Date); or
- (B) the day on which an Enforcement Notice is given pursuant to Condition 11 (*Events of Default*); or

(C) the date on which the Current Balance of the Fixed Rate Loans (excluding any Enforced Loans) is reduced to zero,

then the amount standing to the credit of such Swap Collateral Account on such day shall be transferred to the Deposit Account to be applied as Available Revenue Receipts as soon as reasonably practicable thereafter.

**"Swap Collateral Account Surplus"** means the amounts applied as Available Revenue Receipts pursuant to the Swap Collateral Account Priority of Payments.

The Swap Collateral Account will be opened in the name of the Issuer and will be held at a financial institution which satisfies the Account Bank Rating. A Swap Collateral Account and Swap Collateral Ledger will be established and maintained in respect of the Swap Agreement. As security for the payment of all monies payable in respect of the Notes and the other Secured Obligations, the Issuer will grant a first fixed charge over the Issuer's interest in the Swap Collateral Account and the debts represented thereby (which may, however, take effect as a floating charge and therefore rank behind the claims of any preferential creditors of the Issuer).

## DESCRIPTION OF THE GLOBAL NOTES

### General

Each Class of Notes as at the Closing Date will each be represented by a Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes will be registered in the name of the nominee for the Common Safekeeper for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Safekeeper as the owner of the Global Note.

Upon confirmation by the Common Safekeeper that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-entry form interests representing beneficial interests in the Global Note attributable thereto ("**Book-Entry Interests**").

Book-Entry Interests in respect of each Global Note will be recorded in denominations of £100,000 and higher integral multiples of £1,000 (an "**Authorised Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests or the Residual Certificate Book-Entry Interests through Participants or through other Indirect Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated (in respect of the Rated Notes) by the Joint Lead Managers and (in respect of the Class Z Notes and Subordinated Notes) CML (or as CML may direct). Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee for the Common Safekeeper is the registered holder of the Global Note underlying the Book-Entry Interests, the nominee for the Common Safekeeper will be considered the sole Noteholder of the Global Note for all purposes under the Trust Deed. Except as set 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 the 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 the Notes under the Trust Deed. See "*Action in respect of the Global Notes and the Book-Entry Interests*", below.

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, as the case may be, and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Global Note,



holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Registered Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of a Global Note, unless and until Book-Entry Interests are exchanged for Registered Definitive Notes, the Global Note held by the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of 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 Elavon Financial Services DAC, acting through its UK Branch (the "**Principal Paying Agent**"), on behalf of the Issuer to the order of 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 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 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 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 a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive registered form. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will not be entitled to exchange such Registered Definitive Notes for Book-Entry Interests in such Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set out under "*Transfers and Transfer Restrictions*" above and provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Registered Definitive Notes will be issued in a denomination that is an integral multiple of the minimum Authorised Denomination. See "*Risk Factors – Registered Definitive Notes and denominations in integral multiples*" above.

## **Action in respect of the Global Notes and the Book-Entry Interests**

Not later than 10 days after receipt by the Issuer of any notices in respect of a Global Note or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note in accordance with any instructions set out in such request. Euroclear or Clearstream, Luxembourg are expected to follow the

procedures described under "*General*" above with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

## **Notices**

Whilst the Notes are represented by Global Notes the Issuer may, at its option, send to Euroclear and Clearstream, Luxembourg a copy of any notices addressed to Noteholders for communication by Euroclear and Clearstream, Luxembourg to the Noteholders. Alternatively, such notices regarding the Notes may instead be published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom; provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders, publication in such newspaper shall not be required with respect to such information so long as the rules of the Irish Stock Exchange allow. The Issuer may elect not to publish any notice in a newspaper for so long as the Notes are held in global form and notice is given to Euroclear and Clearstream, Luxembourg. The Note Trustee may, in accordance with Condition 16.2 (*Note Trustee's Discretion to Select Alternative Method*) sanction other methods of giving notice to all or some of the Noteholders if such method is reasonable having regard to, among other things, the market practice then prevailing and the requirements of the relevant stock exchange. See also Condition 16 (*Notice to Noteholders*) of the Notes.

## **New Safekeeping Structure and Eurosystem Eligibility**

The Notes are intended to be held in a new safekeeping structure ("NSS") and in a manner which would allow Eurosystem eligibility and will be deposited with one of the ICSDs as common safekeeper. However, the deposit of the Notes with one of the ICSDs as common safekeeper upon issuance or otherwise does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

## **Issuer-ICSDs Agreement**

Prior to the issuance of the Notes, the Issuer will enter into an Issuer-ICSDs Agreement with the ICSDs in respect of the Notes. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any of the Notes (while being held in the NSS), maintain their respective portion of the issue outstanding amount through their records. The Issuer-ICSDs Agreement will be governed by English law.

## DESCRIPTION OF THE GLOBAL RESIDUAL CERTIFICATES

### General

Each Class of Residual Certificates, as at the Closing Date, will be represented by a Global Residual Certificate. The Global Residual Certificates will be registered on issue on or around the Closing Date in the name of the nominee for the Common Safekeeper 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 Safekeeper as the holder of the Global Residual Certificate.

Upon confirmation by the Common Safekeeper that it has been issued with the Global Residual Certificates, 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 Global Residual Certificate 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 (or as the Seller may direct). 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 Safekeeper is the registered holder of the Global Residual Certificate underlying the Residual Certificate Book-Entry Interests, it will be considered the sole Certificateholder of the Residual Certificate represented by that Global Residual Certificate for all purposes under the Trust Deed. Except as set out under the section below entitled "*Issuance of Definitive Residual Certificates*", Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Residual Certificates in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Residual Certificate Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Residual Certificate Book-Entry Interests, to exercise any rights and obligations of a holder of Residual Certificates under the Trust Deed. See the section below entitled "*Action in respect of the Global Residual Certificate and the Residual Certificate Book-Entry Interests*".

Unlike legal owners or holders of the Residual Certificates, holders of the Residual Certificate Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Certificateholders. Instead, a holder of Residual Certificate Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, as the case may be, and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Residual Certificate Book-Entry Interests to vote on any requested actions on

a timely basis. Similarly, upon the occurrence of an Event of Default, holders of Residual Certificate Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Residual Certificates are issued in accordance with the Residual Certificates Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Unless and until Residual Certificate Book-Entry Interests are exchanged for Definitive Residual Certificates, the Global Residual Certificate held by the nominee for the Common Safekeeper may not be transferred except as a whole by that nominee for the Common Safekeeper to a successor nominee for that Common Safekeeper or a nominee of a successor of the Common Safekeeper.

Purchasers of Residual Certificate Book-Entry Interests in a Global Residual Certificate will hold Residual Certificate Book-Entry Interests in the Global Residual Certificates relating thereto. Investors may hold their Residual Certificate Book-Entry Interests in respect of a Global Residual Certificate directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set out in the section below entitled "*Transfers and Transfer Restrictions*"), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Residual Certificate Book-Entry Interests in the Global Residual Certificate on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

Global Residual Certificates 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 and effectuated, 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 the Global Residual Certificates**

Payment of amounts due in respect of the Global Residual Certificates 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 Safekeeper or its nominee as the registered holder thereof with respect to the Global Residual Certificates.

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 Safekeeper or its nominee in respect of those Residual Certificate Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then none of the Issuer, the Principal Paying Agent or any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Safekeeper, 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 depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.
- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such

rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Residual Certificate Book-Entry Interests or if an owner of a Residual Certificate Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the Participants owning the relevant Residual Certificate Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

### **Transfers and Transfer Restrictions**

All transfers of Residual Certificate Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants (see the section above entitled "*General*").

Beneficial interests in a Global Residual Certificate may be held only through Euroclear or Clearstream, Luxembourg. Each 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 a 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.

### **New Safekeeping Structure and Eurosystem Eligibility**

The Residual Certificates are intended to be held in an NSS and in a manner which would allow Eurosystem eligibility and will be deposited with one of the ICSDs as common safekeeper. However, the deposit of the Residual Certificates with one of the ICSDs as common safekeeper upon issuance or otherwise does not



necessarily mean that the Residual Certificates will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

### **Issuer-ICSDs Agreement**

Prior to the issuance of the Residual Certificates, the Issuer will enter into an Issuer-ICSDs Agreement with the ICSDs in respect of the Residual Certificates. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any of the Residual Certificates (while being held in the NSS), maintain their respective portion of the issue outstanding amount through their records. The Issuer-ICSDs Agreement will be governed by English law.

## 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 £260,172,000 Class A mortgage backed floating rate notes due June 2054 (the "**Class A Notes**"), the £12,636,000 Class B mortgage backed floating rate notes due June 2054 (the "**Class B Notes**"), the £9,663,000 Class C mortgage backed floating rate notes due June 2054 (the "**Class C Notes**"), the £11,893,000 Class D mortgage backed floating rate notes due June 2054 (the "**Class D Notes**") and together with the Class A Notes, the Class B Notes and the Class C Notes, the "**Rated Notes**", the £2,977,000 Class Z mortgage backed fixed rate notes due June 2054 (the "**Class Z Notes**" and the £5,888,000 Subordinated fixed rate notes due June 2054 (the "**Subordinated Notes**"), and the Subordinated Notes together with the Rated Notes and the Class Z Notes, the "**Notes**", in each case of Charter Mortgage Funding 2017-1 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 27 July 2017 (the "**Closing Date**") and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Noteholders (in such capacity, the "**Note Trustee**"). Any reference in these terms and conditions (the "**Conditions**") to a "**Class**" of Notes or of Noteholders or (as applicable) of Residual Certificates or of Certificateholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Subordinated Notes, the RC1 Residual Certificates or the RC2 Residual Certificates, 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 and pursuant to a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee, Elavon Financial Services DAC, acting through its UK 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**"), Elavon Financial Services DAC as registrar (in such capacity, the "**Registrar**") and Elavon Financial Services DAC, acting through its UK Branch as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and a master definitions and construction schedule (the "**Master Definitions and Construction Schedule**") entered into by, among others, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Physical copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

## 2. INTERPRETATION

### 2.1 Definitions

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above.

### 2.2 Interpretation

These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

## 3. FORM, DENOMINATION AND TITLE

### 3.1 Form and Denomination

Each Class of Notes will initially be represented by a global note certificate in registered form (a "**Global Note**").

For so long as any of the Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate. Each Global Note will be deposited with and registered in the name of a common safekeeper (or a nominee thereof) for Euroclear and Clearstream, Luxembourg.

For so long as the Notes are represented by a Global Note, and for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000, notwithstanding that no Registered Definitive Notes (as defined below) will be issued with a denomination above £199,000. A Global Note will be exchanged for the relevant Note in definitive registered form (such exchanged Global Notes in definitive registered form, the "**Registered Definitive Notes**") only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
  - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
  - (ii) announce an intention permanently to cease business or to cease to make book-entry systems available for settlement of beneficial interests in such Global Notes and do in fact do either of those things,

and in either case no alternative clearing system satisfactory to the Note Trustee is available;  
or

- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Notes which would not be required were the relevant Notes in definitive registered form.

If Registered Definitive Notes are issued in respect of Notes originally represented by a Global Note, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for the relevant Notes in registered definitive form. The aggregate principal amount of the Registered Definitive Notes shall be equal to the Principal Amount Outstanding of the Notes at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Registered Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.

The minimum denomination of the Notes in global and (if issued and printed) definitive form will be £100,000.

References to "Notes" in these Conditions shall include the Global Notes and the Registered Definitive Notes.

### 3.2 **Title**

Title to the Global Notes shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Registered Definitive Note shall only pass by and upon registration of the transfer in the Register.

Registered Definitive Notes may be transferred upon the surrender of the relevant Registered Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 3.1 (*Form and Denomination*) above. All transfers of Registered Definitive Notes are subject to any restrictions on transfer set out on the Registered Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Registered Definitive Note to be issued upon transfer of such Registered Definitive Note will, within five Business Days of receipt and surrender of such Registered Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Registered Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Registered Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

## **4. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY**

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

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times, as provided in these Conditions and the Transaction Documents.

- (b) The Class B Notes constitute direct, secured and (subject to the limited recourse provision in Condition 12 (*Enforcement*) and Condition 18 (*Subordination by Deferral*)) unconditional obligations of the Issuer. The Class B Notes rank *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 Z Notes constitute direct, secured and (subject as provided in Condition 18 (*Subordination by Deferral*) and the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Class Z Notes rank subordinate to all payments due in respect of the Rated Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the persons who for the time being are registered in the Register as holders of the Class Z Notes (the "**Class Z Noteholders**") will be subordinated to the interests of the holders of the Rated Notes (so long as any Rated Notes remain outstanding).
- (f) The Subordinated Notes constitute direct, secured and (subject as provided in Condition 18 (*Subordination by Deferral*) and the limited recourse provisions in Condition 12 (*Enforcement*)) unconditional obligations of the Issuer. The Subordinated Notes rank subordinate to all payments due in respect of 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 the Subordinated Notes (the "**Subordinated Noteholders**") will be subordinated to the interests of the holders of the Rated Notes (so long as any Rated Notes remain outstanding) and the Class Z Noteholders (so long as any Class Z Notes remain outstanding).
- (g) 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 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 Post-Enforcement Priority of Payments or if there are no Notes then outstanding to the Certificateholders.

- (h) 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. 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, 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 Certificateholders in each case irrespective of the effect thereof on their respective interests.

As long as any Notes are outstanding but subject to Condition 13.5, the Security Trustee shall not have regard to the interests of the other Secured Creditors.

#### 4.2 **Security**

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

#### 5. **COVENANTS**

Save with the prior written consent of the Note Trustee or unless otherwise permitted under these Conditions or any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertakings;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (d) **Equitable and Beneficial Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Priority of Payments which are available for distribution in accordance with the

Issuer's memorandum and articles of association and with applicable laws or issue any further shares;

- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Issuer Accounts and the Issuer's interest in the Non-DD Collection Account Trust, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee; or
- (j) **Purchase Notes:** purchase or otherwise acquire any Notes.
- (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 September 2017.

"**Interest Payment Date**" means the 12th 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 with the first Interest Payment Date falling in September 2017.

Interest shall accrue:

- (a) in the case of a Class of the Rated Notes, from (and including) an Interest Payment Date (except in the case of the first Interest Period, which shall commence on (and include) the Closing Date) to (but excluding) the next following Interest Payment Date; and
- (b) in the case of the Class Z Notes and the Subordinated Notes, from (and including) a Fixed Rate Accrual Date (except in the case of the first Interest Period, which shall commence on (and including) the Closing Date) to (but excluding) the next following Fixed Rate Accrual Date

(each such period above, an "**Interest Period**").

"**Fixed Rate Accrual Date**" means the 12th day of each of March, June, September and December in each year.

### 6.3 **Rate of Interest**

#### *Rate of Interest*

- (a) The rate of interest payable from time to time in respect of each class or sub-class of the Notes (each a "**Rate of Interest**" and together the "**Rates of Interest**") will be:
  - (i) in respect of the Rated Notes and any Interest Period, determined on the basis of the following provisions:
    - (A) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three month Sterling deposits (or, in respect of the first Interest Period for the Notes, the linear interpolation of LIBOR for one and three month deposits in Sterling) of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (I) (A) from and including the Closing Date to (but excluding) the Optional Redemption Date, the Relevant Margin or (B) from (and including) the Optional Redemption Date, the Relevant Step-Up Margin, and (II) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three months or in respect of the first Interest Period the linear interpolation of one and three monthly Sterling deposits (rounded upwards, if necessary, to five decimal places)); and
    - (B) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph (A) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation



or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which sub-paragraph (A) shall have applied but taking account any change in the Relevant Margin and/or any change in the applicability of the Relevant Step-Up Margin; and

- (ii) in respect of the Class Z Notes and any Interest Period, 8 per cent. per annum; and
- (iii) in respect of the Subordinated Notes and any Interest Period 10 per cent. per annum.

In the event that the Rate of Interest is less than zero per cent., the Rate of Interest shall be deemed to be zero per cent.

There will be no maximum Rate of Interest.

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

- (i) "**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which banks are generally open for business in London;
- (ii) "**Interest Determination Date**" means the first day of the Interest Period for which the rate will apply;
- (iii) "**Interest Determination Ratio**" means, on any Interest Payment Date, (a) the aggregate Revenue Receipts calculated in the three preceding Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) divided by (b) the aggregate of all Revenue Receipts and all Redemption Receipts calculated in such Servicer Reports;
- (iv) "**LIBOR**" means the London Interbank Offered Rate for Sterling deposits;
- (v) "**Reconciliation Amount**" means in respect of any Collection Period (a) the actual Redemption Receipts as determined in accordance with the available Servicer Reports, less (b) the Calculated Redemption Receipts in respect of such Collection Period, plus (c) any Reconciliation Amount not applied in previous Collection Periods;
- (vi) "**Reference Banks**" means the principal London office of each of the five major banks engaged in the London interbank market selected by the Agent Bank with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting or declines to act as such;
- (vii) "**Relevant Margin**" means:
  - (A) in respect of the Class A Notes, 0.50 per cent. per annum;
  - (B) in respect of the Class B Notes, 1.30 per cent. per annum;
  - (C) in respect of the Class C Notes, 1.70 per cent. per annum; and

- (D) in respect of the Class D Notes, 2.20 per cent. per annum;
- (viii) "**Relevant Screen Rate**" means, in respect of the Rated Notes, the arithmetic mean of offered quotations for three-month Sterling deposits (or, with respect to the first Interest Period, the rate which represents the linear interpolation of LIBOR for one and three month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01;
- (ix) "**Servicer Report**" means a report to be provided by the Servicer no later than (in the case of any month in which an Interest Payment Date falls) the 4th Business Day of each month or (in the case of any month in which no Interest Payment Date falls) the 10th Business Day of each month in each case in accordance with the terms of the Servicing Agreement and detailing, *inter alia*, the information relating to the Portfolio necessary to produce the Investor Report; and
- (x) "**Relevant Step-Up Margin**" means:
  - (A) in respect of the Class A Notes, 0.75 per cent. per annum;
  - (B) in respect of the Class B Notes, 1.95 per cent. per annum;
  - (C) in respect of the Class C Notes, 2.55 per cent. per annum; and
  - (D) in respect of the Class D Notes, 3.30 per cent. per annum;

#### 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 Sterling amount (the "**Interest Amounts**") payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall, in respect of a Class of Rated Notes, be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Class of Rated Notes and multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 and rounding the figure downwards to the nearest penny.

The Interest Amounts shall, in the case of the Class Z Notes and the Subordinated Notes, be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Notes on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

#### 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 Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 16 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than 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 Manager, 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, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence, fraud or manifest error) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 6 (*Interest*).

## 6.8 **Agent Bank**

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

## 6.9 **Determinations and Reconciliation**

- (a) In the event that the Cash Manager does not receive a Servicer Report with respect to a Collection Period (each such period, a "**Determination Period**"), then the Cash Manager may use the three most recently received Servicer Reports in respect of the preceding Collection Periods (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in Condition 6.9(b). When the Cash Manager receives the Servicer Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 6.9(c). Any (i) calculations properly made on the basis of such estimates in accordance with Conditions 6.9(b) and/or 6.9(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 6.9(b) and/or 6.9(c), shall be deemed to be made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.

- (b) In respect of any Determination Period the Cash Manager shall on the Calculation Date immediately preceding the Determination Period:
- (i) determine the Interest Determination Ratio (as defined above) by reference to the three most recently received Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) received in the preceding Collection Periods;
  - (ii) calculate the Revenue Receipts for such Determination Period as the product of (A) the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**"); and
  - (iii) calculate the Redemption Receipts for such Determination Period as the product of (A) 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the "**Calculated Redemption Receipts**").
- (c) Following the end of any Determination Period, upon receipt by the Cash Manager of the Servicer Report in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 6.9(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined above) as follows:
- (i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Redemption Receipts (with a corresponding debit of the Revenue Ledger); and
  - (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Redemption Ledger, as Available Revenue Receipts (with a corresponding debit of the Redemption Ledger),

*provided* that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Redemption Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

## **7. PAYMENTS**

### **7.1 Payment of Interest 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) Sterling cheque; or
- (b) (other than in the case of final redemption) upon application by the relevant Noteholder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London; and
- (c) (in the case of final redemption) Sterling cheque upon surrender (or, in the case of part payment only, endorsement) of the relevant Global Note or Registered Definitive Notes (as the case may be) at the specified office of any Paying Agent.

## 7.2 **Laws and Regulations**

Payments of any amount in respect of a Note including principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto in the place of payment 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 ("**FATCA**"). 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.

## 7.4 **Change of Paying Agents**

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

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 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 June 2054 (the "**Final Maturity Date**").

### 8.2 Mandatory Redemption prior to the service of an Enforcement Notice or on the Call Option Redemption Date

- (a) On each Interest Payment Date prior to the service of an Enforcement Notice or on the Call Option Redemption Date, each Class of Notes shall be redeemed in an amount equal to the Available Redemption Receipts available for such purpose in accordance with the Pre-Enforcement Redemption Priority of Payments which shall be applied in the following order of priority:
- (i) to repay the Class A Notes until they are each repaid in full; and thereafter be applied
  - (ii) to repay the Class B Notes until they are each repaid in full; and thereafter to be applied
  - (iii) to repay the Class C Notes until they are each repaid in full; and thereafter to be applied
  - (iv) to repay the Class D Notes until they are each repaid in full; and thereafter to be applied
  - (v) to repay the Class Z Notes until they are each repaid in full; and thereafter to be applied
  - (vi) to repay the Subordinated Notes until they are each repaid in full.
- (b) The Principal Amount Outstanding of each Class of Notes shall be redeemed on each Interest Payment Date in accordance with the relevant Priority of Payments. The principal amount to be redeemed in respect of a 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 Redemption Receipts available for such purpose on such Interest Payment Date in accordance with the Pre-Enforcement Redemption 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 cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth decimal point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator 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 **Mandatory Redemption of the Notes in Full**

(a) On or after the Optional Redemption Date

On giving not more than 60 days' nor fewer than two Business Days' notice to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, on any Interest Payment Date on or after the Optional Redemption Date upon the occurrence of a sale of the Loans and their Related Security comprising the Portfolio in accordance with the provisions of the Deed Poll, the Optional Purchase Price received by the Issuer will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments with the result that the Notes will be redeemed in full in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice or on the Call Option Redemption Date*).

(b) Ten per cent. clean-up call

On giving not more than 60 days' nor fewer than 14 Business Days' notice to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee, on any Interest Payment Date upon the occurrence of a sale of the Loans and their Related Security comprising the Portfolio in accordance with the provisions of the Deed Poll where the aggregate Current Balance of the Loans (excluding any Enforced Loans) was equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date, the Optional Purchase Price received by the Issuer will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments with the result that the Notes will be redeemed in full on such Interest Payment Date in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice or on the Call Option Redemption Date*).

### 8.4 **Mandatory Redemption of the Notes 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;
- (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; or
- (c) by reason of a change in 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 Swap Provider would be required to deduct or withhold from any payment under the Swap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature,

then the Issuer shall, if the same would avoid the effect of such relevant event described in sub-paragraph (a), (b) or (c) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in

another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and the Trust Deed, provided that:

- (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the holders of the Rated Notes (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on (A) any confirmation made orally to the Issuer (in which case the Servicer on behalf of the Issuer shall confirm the same in writing to the Note Trustee) or in writing from each of the Rating Agencies that the then current ratings of the Rated Notes would not be adversely affected by such substitution or (B) if no such confirmation from the Rating Agencies is forthcoming and the Servicer on behalf of the Issuer has certified the same in writing to the Cash Manager and the Note Trustee (an "**Issuer Certificate**"), a written certification from the Cash Manager to the Note Trustee and the Security Trustee (a "**Cash Manager 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 rating 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
- (ii) such substitution would not require registration of any new security under U.S. securities laws or materially increase the disclosure requirements under U.S. law.

A "**Redemption Event**" shall occur if the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in sub-paragraph (a), (b) or (c) 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.

On any Interest Payment Date on which the Loans and their Related Security comprising the Portfolio are sold pursuant to the Deed Poll following the occurrence of a Redemption Event, the Optional Purchase Price received by the Issuer will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments with the result that the Notes will be redeemed in full in accordance with Condition 8.2 (*Mandatory Redemption prior to the service of an Enforcement Notice or on the Call Option Redemption Date*). The Issuer shall give not more than 60 days' nor fewer than 30 Business Days' notice of any such redemption of the Notes to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*) and the Note Trustee.

## 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 £260,172,000, in respect of the Class B Notes of £12,636,000, in respect of the Class C Notes of £9,663,000, in respect of the Class D Notes of £11,893,000 and in respect of the Class Z Notes of £2,977,000, and in respect of the Subordinated Notes £5,888,000 in each case less the aggregate amount of all principal payments in respect of such Class of Notes which have been made since the Closing Date.

## 8.6 **Notice of Redemption**

Any such notice as is referred to in Condition 8.3 (*Mandatory Redemption of the Notes in Full*) or Condition 8.4 (*Mandatory Redemption of the Notes 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 Clause 3.13(d) of the Deed Poll 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. In that event, subject to Condition 8.4 (*Mandatory Redemption of the Notes for Taxation or Other Reasons*), the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

### 10. **PRESCRIPTION**

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

In this Condition 10, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

### 11. **EVENTS OF DEFAULT**

#### 11.1 **Notes**

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class 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 (with a copy to the Swap Provider, the Cash Manager, the Security Trustee, the Servicer, the Back-Up Servicer Facilitator, the Issuer Account Bank and the Seller) that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued (but unpaid) interest as provided in the Trust Deed (with a copy of such Enforcement Notice being sent simultaneously to the Seller, the Security Trustee, the Swap Provider, the Servicer, the Issuer Account Bank and the Cash Manager), if any of the following events (each, an "**Event of Default**") occur:

- (a) subject to Condition 18 (*Subordination by Deferral*), if default is made in the payment of any principal or interest due in respect of the 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 or Security Trustee shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class then outstanding or directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class; 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 or Security Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

### 12.2 Preservation of Assets

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or the Residual Certificates, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the holders of the Notes (and all persons ranking in priority to the holders of the Notes), or (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing: (i) to the Noteholders (and all persons ranking in priority to the Noteholders as set out in the order of priority set out in the Post-Enforcement Priority of Payments); and (ii) once all the Noteholders (and all such higher ranking persons) have been repaid, to the remaining Secured Creditors (other than the Certificateholders) in the order of priority set out in the Post-Enforcement Priority of Payments; and (iii) once all the Noteholders and the Secured Creditors (other than the Certificateholders) have been repaid, to the Certificateholders. The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to in this Condition 12.2 without further enquiry and shall incur no liability to any person for so doing.

### 12.3 **Limitations on Enforcement**

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

### 12.4 **Limited Recourse**

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

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

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain due or to be paid in respect of the Notes (including, for the avoidance of doubt, payments of principal, premium (if any) or interest in respect of the Notes) and the Issuer shall be deemed to be discharged from making any further payments in respect of the Notes and any further payment rights shall be extinguished.

## 13. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

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

13.2 For the purposes of these Conditions, "**Most Senior Class**" 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 Rated Notes then outstanding, the Class Z Notes, or if there are no Rated Notes or Class Z Notes then outstanding, the Subordinated Notes, or if there are no Rated Notes, Class Z Notes or Subordinated Notes then outstanding, prior to (but excluding) the Optional Redemption Date, the RC1 Residual Certificates, and thereafter, the RC2 Residual Certificates.

### 13.3 **Most Senior Class and 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:

- (i) subject to Conditions 13.3(a)(ii) and (iii), an Extraordinary Resolution passed at any meeting of the holders of the Most Senior Class shall be binding on such Noteholders and all other Classes of Noteholders and Certificateholders irrespective of the effect upon them;
- (ii) subject to Condition 13.3(a)(iii), 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 Post-Enforcement Priority of Payments in each case and (ii) the Certificateholders, irrespective of the effect it has upon them; and
- (iii) no Extraordinary Resolution of any Class of Noteholders or Certificateholders shall take effect for any purpose while any of the Most Senior Class remain outstanding or (in the case of the Residual Certificates) remain in issue unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class and in the case of the Residual Certificates all Notes ranking in priority thereto or the Note Trustee and/or Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class,

provided that, in respect of any Extraordinary Resolution of a Class or Classes of Noteholders and/or Residual Certificates relating to any changes to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, (i) the written consent of the Swap Provider or (ii) written notification from the Issuer to the Note Trustee and the Security Trustee that Swap Provider consent is not needed, is also required prior to such amendments being made.

- (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:
  - (i) Notes and/or Residual Certificates of only one Class 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 and/or Residual Certificates so affected;
  - (ii) Notes and/or Residual Certificates of more than one Class but does not give rise to a conflict of interest between the holders of such Classes of Notes and/or 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 and/or Residual Certificates;
  - (iii) one or more Classes of Notes and/or Residual Certificates and gives or may give rise to, an actual or potential conflict of interest between the holders of such Notes and/or 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 and/or Residual Certificates so affected;
  - (iv) one or more Classes of Notes and/or Residual Certificates but does not give rise to, an actual or potential conflict of interest between the holders of such Notes and/or 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 and/or Residual Certificates so affected; and

- (v) two or more Classes of Notes and/or Residual Certificates and gives, or may give, rise to an actual or potential conflict of interest between the holders of such Classes of Notes and/or 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 or Residual Certificates so affected.
- (c) No Extraordinary Resolution of the holders of a Class or Classes of Notes and/or 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 each affected Class of Residual Certificates then in issue which are affected by such Basic Terms Modification.
- (d) No Ordinary Resolution that is passed by the holders of any Class of Noteholders or Residual Certificates shall take effect for any purpose while any of the Most Senior Class remain outstanding or (in the case of the Residual Certificates) remain in issue unless it shall have been sanctioned by an Ordinary Resolution of the holders of the Most Senior Class or the Note Trustee and/or Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class.

#### 13.4 Quorum

- (a) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (b) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Class or Classes of Notes or Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or, where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, or of the method of calculating the date of payment in respect of any Class of 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 any Class of 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 any Class of Residual Certificates in the Priorities of Payments), (iv) alter the currency in which payments under any Class of 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 any Class of Notes or Residual Certificates, (vii) any change to the definition of a 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 aggregate not less than (i) three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) three-quarters of such Class of 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) Residual Certificates 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 passing an Ordinary Resolution will be one or more persons holding or representing not less than 10 per cent. of the aggregate 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 passing an Extraordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (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 or holders of any Class of Residual Certificates passing an Extraordinary Resolution to sanction a Basic Terms Modification shall be one or more persons holding or representing in aggregate not less than (i) 50 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) 50 per cent. of such Class of 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 the each relevant affected Class of Residual Certificates in accordance with 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 **Modification to the Transaction Documents**

- (a) The Note Trustee or, as the case may be, the Security Trustee may (or in the case of (iii) below, shall) at any time and from time to time, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors agree with the Issuer and any other parties in making or sanctioning any modification:
  - (i) other than in respect of a Basic Terms Modification, 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 and, for the avoidance of doubt, any modification of the Non DD Collection Account Declaration of Trust which does not affect the manner in which the Issuer's Issuer Beneficiary Trust Share (as defined in the Non DD Collection Account Declaration of Trust) is calculated 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;
  - (ii) 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; or

- (iii) to the Transaction Documents, the Conditions and/or the Residual Certificates Conditions that are requested in writing by the Issuer (acting in its own discretion or at the direction of any transaction party) in order to enable the Issuer to comply with any requirements which apply to it under European Regulation 648/2012 of 4 July 2012, known as the European Market Infrastructure Regulation ("**EMIR**"), irrespective of whether such modifications are (i) materially prejudicial to the interests of the holders of any Class of Notes or Residual Certificates or any other Secured Creditor or (ii) in respect of a Basic Terms Modification (any such modification, an "**EMIR Amendment**") and subject to receipt by the Note Trustee of a certificate of (i) the Issuer signed by two directors or (ii) the Servicer on behalf of the Issuer certifying to the Note Trustee and the Security Trustee that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR. Neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification pursuant to this sub-clause which (in the sole opinion of the Note Trustee and/or the Security Trustee) would have the effect of:
  - (A) exposing the Note Trustee (and/or the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or
  - (B) increasing the obligations or duties, or decreasing the protections of the Note Trustee (and/or the Security Trustee) in the Transaction Documents and/or the Conditions of the Notes,

provided that in respect of any modifications to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, (i) the prior written consent of the Swap Provider or (ii) written notification from the Issuer or the Servicer on behalf of the Issuer to the Note Trustee and the Security Trustee that Swap Provider consent is not needed, is required.

- (b) Notwithstanding anything to the contrary in the Trust Deed or the other Transaction Documents, when implementing any EMIR Amendment pursuant to this Condition 13.5, the Note Trustee and/or Security Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person, but shall act and rely solely and without further investigation on any certificate provided to it by the Issuer pursuant to this Condition 13.5 and shall not be liable to any Noteholder or other Secured Creditor for so acting or relying.

### 13.6 **Additional Right of Modification**

Notwithstanding the provisions of Condition 13.5 (*Modification to the Transaction Documents*), the Note Trustee or, as the case may be, the Security Trustee, shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders, or any other Secured Creditor, subject to written consent of the Secured Creditors which a party to the relevant Transaction Documents (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document), to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to the Conditions, the Residual Certificates Conditions, the Trust Deed or any other Transaction Document to which it is a party or in relation to which it holds security or to enter into any new, supplemental or additional documents that the Issuer (in each case) considers necessary:



- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that:
- (i) the Issuer certifies in writing to the Note Trustee and the Security Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
  - (ii) in the case of any modification to a Transaction Document proposed by any of the Seller, the Servicer, the Swap Counterparty, the Cash Manager the Agent Bank, the Principal Paying Agent and the Issuer Account Bank (for the purpose of this Condition 13.6 only, each a "**Relevant Party**", in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds)):
    - (A) the Relevant Party certifies in writing to the Issuer, the Note Trustee and the Security Trustee that such modification is necessary for the purposes described in paragraph (ii)(x) and/or (y) above; and
    - (B) either:
      - I. the Issuer, the Relevant Party or the Servicer (on behalf of the Issuer) obtains from each of the Rating Agencies, a Rating Agency Confirmation (or certifies in writing to the Issuer (in the case of the Relevant Party or the Servicer) and the Note Trustee that no Rating Agency Confirmation has been received within 30 days of a written request for such Rating Agency Confirmation) that such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency and would not result in any Rating Agency placing any Notes on rating watch negative (or equivalent) and, if relevant, delivers a copy of each such confirmation to the Issuer (in the case of the Relevant Party or the Servicer), the Note Trustee and the Security Trustee; or
      - II. the Issuer, the Relevant Party or the Servicer (on behalf of the Issuer) certifies in writing to the Note Trustee and the Security Trustee that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and (C) the Relevant Party pays all costs and expenses (including legal fees) incurred by the Issuer and the Note Trustee and the Security Trustee in connection with such modification;
- (b) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 51 of the AIFM Regulation or Article 254 of the Solvency II Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRR, the AIFM Regulation or the Solvency II Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the

Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

- (c) for the purpose of enabling the Notes to be (or to remain) listed on the Irish Stock Exchange, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purposes of enabling the Issuer or any of the other Transaction Parties to comply with FATCA, provided that the Issuer or the relevant Transaction Party, as applicable, certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (e) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation and the Commission Delegated Regulation 2015/3 (including, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended from time to time (the "**CRA3 Requirements**"), including any requirements imposed by any regulation laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation (the "**STS Regulation**") proposed by the European Commission or any other obligation which applies under the CRA3 Requirements, the STS Regulation and/or any new regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect,

(the certificate to be provided by the Issuer, the Servicer (on behalf of the Issuer), and/or the Relevant Party, as the case may be, pursuant to Conditions 13.6(a)-(e) above being a "**Modification Certificate**"), provided that:

- (i) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee;
- (ii) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee both at the time the Note Trustee and the Security Trustee is notified of the proposed modification and on the date that such modification takes effect; and
- (iii) the consent of each Secured Creditor which is party to the relevant Transaction Document has been obtained,

and provided further that, other than in the case of a modification pursuant to Condition 13.6(a)(i):

(A) other than in the case of a modification pursuant to Condition 13.6(a)(ii), either:

- I. the Issuer or the Servicer (on behalf of the Issuer) obtains from each of the Rating Agencies a Rating Agency Confirmation (or certifies in the Modification Certificate that no such Rating Agency Confirmation has been received within 30 days of a written request for such Rating Agency Confirmation) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such

Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); or

II. the Issuer or the Servicer (on behalf of the Issuer) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and

(B) the Issuer certifies in writing to the Note Trustee and the Security Trustee that (I) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 16 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes, and (II) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the most senior Class of Notes then outstanding is passed in favour of such modification in accordance with this Condition 13.

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

Other than where specifically provided in this Condition 13.6 or any Transaction Document:

- (a) when implementing any modification pursuant to this Condition 13.6 (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee nor the Security Trustee shall consider the interests of the Noteholders, any other Secured Creditor or any other person but shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 13.6 and shall not be liable to the Noteholders, any other Secured Creditor for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee and/or the Security Trustee would have the effect of (i) exposing the Note Trustee and/or the Security Trustee to any

liability against which is has not be indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee and/or the Security Trustee in the Transaction Documents and/or these Conditions.

Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (a) so long as any of the Notes rated by the Rating Agencies remains Outstanding, each Rating Agency;
- (b) the Secured Creditors; and
- (c) the Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

### 13.7 **Authorisation or Waiver of Breach**

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, 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 13.7 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class 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.

### 13.8 **Notification of modifications, waivers, authorisations or determinations**

Any such modification, waiver, authorisation or determination by the Note Trustee and/or the Security Trustee, as applicable, in accordance with these Conditions, the Residual Certificates Conditions or the 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 in accordance with Condition 16 (*Notice to Noteholders*), the Rating Agencies (while any Rated Notes remain outstanding) and the Secured Creditors as soon as practicable thereafter.

13.9 In connection with any such substitution of principal debtor referred to in Condition 8.4 (*Mandatory Redemption of the Notes 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 whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current ratings of the Rated Notes. It is agreed and acknowledged by the Note Trustee and the Security Trustee that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies has confirmed that the then current ratings of the Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee and the Security Trustee this does not impose or extend any

actual or contingent liability for each of the Rating Agencies to the Security Trustee, the Note Trustee, the Noteholders or any other person, or create any legal relations between each of the Rating Agencies and the Security Trustee, the Note Trustee, the Noteholders or any other person, whether by way of contract or otherwise.

- 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 Residual Certificates in any such case to have regard (except as expressly provided otherwise) to the interests of the holders of the Class or Classes of Notes ranking in priority to the other relevant Classes of Notes.
- 13.12 Other than in respect of any matter requiring an Extraordinary Resolution, Noteholders are required to vote by way of an Ordinary Resolution.
- 13.13 "**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 aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of the relevant Class; or
  - (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes.
- 13.14 "**Extraordinary Resolution**" means, in respect of the holders of any of the Classes of Notes:
- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than three-quarters of Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll;
  - (b) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes,

which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of the relevant Class; or

- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the relevant Class of Notes.

13.15 "**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.

13.16 "**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 to occur of:
  - (i) the conclusion of the meeting specified in such Voting Certificate; and
  - (ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and
- (b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.

13.17 "**Block Voting Instruction**" means an English language document issued by a Paying Agent in which:

- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
  - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
  - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
- (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
- (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution

between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and

- (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:
  - (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
  - (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

13.18 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 and Security 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 and Security 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 and Security Trustee may in their 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 and Security Trustee, be materially prejudicial to the interests of the Noteholders.

#### 14. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

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

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such

trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **15. REPLACEMENT OF NOTES**

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

## **16. NOTICE TO NOTEHOLDERS**

### **16.1 Publication of Notice**

- (a) Subject to Condition 16.1(d), any notice to Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such notice. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.
- (b) In respect of Notes in definitive form, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.
- (c) While the Notes are represented by Global Note, notices to Noteholders will be valid if published as described above or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.
- (d) So long as the relevant Notes are admitted to trading on, and listed on the official list of, the Irish Stock Exchange all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange.

### **16.2 Note Trustee's Discretion to Select Alternative Method**

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or



traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

## 17. REPLACEMENT NOTES

If the Issuer Substitution Condition is satisfied in accordance with these Terms and Conditions and the Trust Deed, the Issuer may, without the consent of the Noteholders, issue one or more classes of replacement notes ("**Replacement Notes**") to replace one or more Classes of Notes, each class of which shall have terms and conditions which may differ from the terms and conditions of the Class of Notes which it replaces.

## 18. SUBORDINATION BY DEFERRAL

### 18.1 Interest

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 18, include any interest previously deferred under this Condition 18.1 and accrued interest thereon) payable in respect of the Notes other than the Most Senior Class of Notes after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the "**Deferred Interest**") in respect of the Notes other than the Most Senior Class of Notes to the extent only of any insufficiency of funds.

### 18.2 General

Any amounts of Deferred Interest in respect of a Class of Notes shall accrue interest ("**Additional Interest**") at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 18.1 (*Interest*) applies) or on such earlier date as the relevant Class of Notes becomes due and repayable in full in accordance with these Conditions.

### 18.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on a Class of Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 18, the Issuer will give notice thereof to the relevant Class of Noteholders, as appropriate, in accordance with Condition 16 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 18 will not constitute an Event of Default. The provisions of this Condition 18 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or, are required to be redeemed in full, at which time all deferred interest and accrued interest thereon shall become due and payable.

## 19. NON-RESPONSIVE RATING AGENCY

- (a) In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Rated Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Note Trustee and the Security Trustee) from the relevant Rating Agencies that the then current ratings of the Rated Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Rating Agency Confirmation**").
- (b) If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation

or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and the Security Trustee, as applicable) and:

- (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and
- (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by two directors certifying and confirming that each of the events in paragraphs (i)(A) or (B) and (ii) above has occurred. If no such Rating Agency Confirmation is forthcoming and two directors of the Issuer have certified the same in writing to the Security Trustee (an "**Issuer Certificate**"), the Security Trustee shall be entitled (but not obliged) to assume from a written certificate of the Cash Manager to the Note Trustee and Security Trustee (a "**Cash Manager Certificate**") that such proposed action:

- (a) (while any of the Rated Notes remain outstanding) has been notified to the Rating Agencies;
- (b) would not adversely impact on the Issuer's ability to make payment when due in respect of the Notes;
- (c) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security; and
- (d) (while any of the Notes remain outstanding) the then current rating of the Rated Notes would not be reduced, qualified, adversely affected or withdrawn,

upon which confirmation from the Rating Agencies, Issuer Certificate and/or Cash Manager Certificate, the Note Trustee and the Security Trustee shall be entitled to rely absolutely without liability to any person for so doing. In being entitled to take into account any such confirmation from the Rating Agencies, it is agreed and acknowledged by the Note Trustee and the Security Trustee that this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Security Trustee, the Note Trustee, the Noteholders or any other person or create any legal relations between each of the Rating Agencies and the Security Trustee, the Note Trustee, the Noteholders or any other person whether by way of contract or otherwise.

## **20. JURISDICTION AND GOVERNING LAW**

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

- (b) The Transaction Documents, the Notes, the Residual Certificates and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law except that, to the extent that the provisions of the Mortgage Sale Agreement, the Deed of Charge and any security documents supplemental thereto relate to the Scottish Loans, such provisions and documents shall be construed and/or (as applicable) governed by Scots law.

**21. RIGHTS OF THIRD PARTIES**

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

## TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

*The following are the terms and conditions of the Residual Certificates in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below)*

### 1. GENERAL

The 100 RC1 Residual Certificates (the "**RC1 Residual Certificates**") and the 100 RC2 Residual Certificates (the "**RC2 Residual Certificates**" and together with the RC1 Residual Certificates, the "**Residual Certificates**") of Charter Mortgage Funding 2017-1 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 27 July 2017 (the "**Closing Date**") and made between, among others, the Issuer and U.S. Bank Trustees 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 or (as applicable) of Residual Certificates or of Certificateholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Subordinated Notes, the RC1 Residual Certificates or the RC2 Residual Certificates, as the case may be, or to the respective holders thereof. The security for the Residual Certificates is constituted by and pursuant to a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, among others, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or prior to the Closing Date and made between the Issuer, the Note Trustee, Elavon Financial Services DAC, acting through its UK 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**"), Elavon Financial Services DAC as registrar (in such capacity, the "**Registrar**") and Elavon Financial Services DAC, 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 and Denomination

The RC1 Residual Certificates and the RC2 Residual Certificates 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 common safekeeper (or a nominee thereof) for Euroclear and Clearstream, Luxembourg.

A Global Residual Certificate will be exchanged for the relevant Residual Certificate in definitive registered form (such exchanged Global Residual Certificate in definitive registered form, the "**Definitive Residual Certificates**") only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
  - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
  - (ii) announce an intention permanently to cease business or to cease to make their book-entry systems available for settlement of beneficial interests in the Global Residual Certificate and do in fact do either of those things,

and in either case no alternative clearing system satisfactory to the Note Trustee is available;  
or

- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations which become effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Residual Certificates which would not be required were the relevant Residual Certificates in definitive registered form.

If Definitive Residual Certificates are issued in respect of Residual Certificates originally represented by a Global Residual Certificate, the beneficial interests represented by such Global Residual Certificate shall be exchanged by the Issuer for the relevant Residual Certificates in registered definitive form.

Definitive Residual Certificates will be serially numbered and will be issued in registered form only.

References to "**Residual Certificates**" in these Residual Certificates Conditions shall include the Global Residual Certificate and the Definitive Residual Certificates.

### 3.2 **Title**

Title to the Global Residual Certificate shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Residual Certificate may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Residual Certificate regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to Definitive Residual Certificates shall only pass by and upon registration of the transfer in the Register.

Definitive Residual Certificates may be transferred upon the surrender of the relevant Definitive Residual Certificate, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of Definitive Residual Certificates are subject to any restrictions on transfer set out on the Definitive Residual Certificates and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Residual Certificate to be issued upon transfer of such Definitive Residual Certificate will, within five Business Days of receipt and surrender of such Definitive Residual Certificate (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Residual Certificate to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Residual Certificate on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

## 4. **STATUS AND SECURITY**

### 4.1 **Status of the Residual Certificates**

The Residual Certificates constitute direct, secured and (subject to the limited recourse provision in Residual Certificates Condition 11.3 (*Limited Recourse*)) unconditional obligations of the Issuer, and represent the Issuer's obligation to pay deferred consideration for its purchase of the Portfolio, consisting of the RC1 Payments and the RC2 Payments. The RC1 Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to RC1 Payments and the RC2 Residual Certificates rank *pro rata* and *pari passu* without preference or priority among themselves in relation to RC2 Payments. RC1 Payments and RC2 Payments will be made subject to and in accordance with the Pre-Enforcement Revenue Priority of Payments, Pre-Enforcement Redemption Priority of Payments and Post-Enforcement Priority of Payments.

The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the holders of each Class of Certificates 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 Residual Certificates 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 and, if there are no Notes outstanding, to have regard (except as expressly provided otherwise), prior to (but excluding) the Optional Redemption Date, to the holders of the RC1 Residual Certificates and thereafter, to the holders of the RC2 Residual Certificates.

## 4.2 Security

The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Certificateholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.

The Certificateholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

## 5. ISSUER COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of these Residual Certificates Conditions or any of the Transaction Documents, the Issuer shall not, so long as any Residual Certificate remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** assign, transfer, sell, lend, lease, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of, its assets or undertakings or any interest, estate, right, title or benefit therein or attempt or purport to do any of the foregoing;
- (d) **Equitable and Beneficial Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the applicable Priority of Payments which are available for distribution in accordance with the Issuer's memorandum and articles of association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, modified, terminated, postponed, waived or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released

from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

- (i) **Bank accounts:** have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **Purchase Residual Certificates:** purchase or otherwise acquire any Residual Certificates; or
- (k) **U.S. activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

## 6. RESIDUAL PAYMENTS

### 6.1 Right to RC1 Payments and RC2 Payments

Each RC1 Residual Certificate represents a *pro rata* entitlement to receive RC1 Payments and each RC2 Residual Certificate represents a *pro rata* entitlement to receive RC2 Payments, by way of deferred consideration for the purchase by the Issuer of the Portfolio.

### 6.2 Payment

A RC1 Payment and a RC2 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) **"RC1 Payment"** means:
  - (i) prior to (but excluding) the Optional Redemption Date, an amount equal to the Residual Payment; and
  - (ii) thereafter, zero.
- (d) **"RC1 Payment Amount"** means for a RC1 Residual Certificate on any date on which amounts are to be applied in accordance with the applicable Priority of Payments, the RC1 Payment for that date, divided by the number of RC1 Residual Certificates then in issue.
- (e) **"RC2 Payment"** means:
  - (i) on the Final Redemption Date only, an amount equal to all amounts standing to the credit of the Rated Note Reserve Fund (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit and then any Rated Note Reserve Fund Release Amount in meeting any Revenue Deficit against the relevant item in the Pre-Enforcement Revenue Priority of Payments in the order they appear in the Pre-Enforcement



Revenue Priority of Payments and debiting such amounts from the Class A and Class B Liquidity Reserve Fund Ledger and/or the Rated Note Reserve Fund Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments, in each case on such Final Redemption Date);

- (ii) on and following the Optional Redemption Date, an amount equal to the Residual Payment; and
  - (iii) at all other times, zero.
- (f) **"RC2 Payment Amount"** means for a RC2 Residual Certificate on any date on which amounts are to be applied in accordance with the applicable Priority of Payments, the RC2 Payment for that date, divided by the number of RC2 Residual Certificates then in issue.
- (g) **"Residual Payment"** means payment, by way of deferred consideration for the Issuer's purchase of the Portfolio, of an amount equal to:
- (i) prior to the delivery of an Enforcement Notice, in respect of each Interest Payment Date, the sum of the amount (if any) by which Available Revenue Receipts exceeds the amounts required to satisfy items (a) to (v) of the Pre-Enforcement Revenue Priority of Payments on that Interest Payment Date; and
  - (ii) following the delivery of an Enforcement Notice, in respect of each date on which amounts are to be applied in accordance with the Post-Enforcement Priority of Payments, the amount by which amounts available for payment in accordance with the Post-Enforcement Priority of Payments exceeds the amounts required to satisfy items (a) to (m) of the Post-Enforcement Priority of Payments on that date.
- (h) **"Residual Payment Amount"** means, in respect of the RC1 Residual Certificates, the RC1 Payment Amount and/or in respect of the RC2 Residual Certificates, the RC2 Payment Amount.

### 6.3 **Determination of RC1 Payment and RC2 Payment**

The Cash Manager shall on each Calculation Date determine the RC1 Payment and the RC2 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 RC1 Payment, RC2 Payment and Residual Payment Amount**

The Cash Manager shall cause the RC1 Payment, RC2 Payment and Residual Payment Amount (if any) for each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to be published in accordance with Residual Certificates Condition 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 Manager defaults at any time in its obligation to determine the RC1 Payment, RC2 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 RC1 Payment, RC2 Payment and Residual Payment Amount (if any), in the manner provided in this Residual Certificates Condition 6.5. Any such determination shall be deemed to be a determination made by the Cash Manager.

## 6.6 **Notifications to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Residual Certificates Condition 6.6, whether by the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Registrar, the Paying Agents and all Certificateholders and (in the absence of wilful default, gross negligence, fraud or manifest error) no liability to the Issuer or the Certificateholders shall attach to the Cash Manager, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Residual Certificates Condition 6.6.

## 6.7 **Termination of Payments**

- (a) 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 RC1 Payments or RC2 Payments will be made by the Issuer and the Residual Certificates shall be redeemed and cancelled.
- (b) Following the exercise of the Call Option, the application of the Optional Purchase Price as Available Revenue Receipts and payment of the Optional Purchase Collections to the Beneficial Title Transferee pursuant to the Deed Poll, no more RC1 Payments or RC2 Payments will be made by the Issuer and the Residual Certificates shall be redeemed and cancelled.

## 7. **PAYMENTS**

### 7.1 **Payment of Residual Payment Amounts**

Subject to paragraph 2 of Residual Certificates Condition 3.1 (*Form and Denomination*), payments of Residual Payment Amounts shall be made by:

- (a) (other than in the case of final cancellation) Sterling cheque; or
- (b) (other than in the case of final cancellation) upon application by the relevant Certificateholder to the specified office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London; and
- (c) (in the case of final cancellation) Sterling cheque upon surrender (or, in the case of part-payment only, endorsement) of the relevant Global Residual Certificate or Definitive Residual Certificate (as the case may be) at the specified office of any Paying Agent.

### 7.2 **Laws and Regulations**

Payments of any Residual Payment Amounts are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto ("**FATCA**"). Certificateholders will not be charged commissions or expenses on payments.

### 7.3 **Change of Paying Agents**

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Registrar and to appoint additional or other agents, provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and a person appointed to perform the obligations of the Registrar with a specified office in Ireland or in London; and
- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union.

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 by applicable law. In that event, the Issuer or, as the case may be, the Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person shall be obliged to make any additional payments to Certificateholders in respect of such withholding or deduction.

## 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 per cent. of the Most Senior Class in number or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class 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 RC1 Payments or RC2 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 Seller, the Security Trustee, the Swap Provider, the Servicer, the Issuer Account Bank and the Cash Manager:

- (a) if default is made in the payment of any amount due in respect of the Residual Certificates and the default continues for a period of 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 or within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

## 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 RC1 Payments or RC2 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 or Note Trustee shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class or directed in writing by the holders of at least 25 per cent. of the Most Senior Class of 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 Security Trustee or 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, MODIFICATION, WAIVER AND SUBSTITUTION**

12.1 The Trust Deed contains provisions for convening meetings of the Noteholders and/or Certificateholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these 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**" 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 Rated Notes then outstanding, the Class Z Notes, or if there are no Rated Notes or Class Z Notes then outstanding, the Subordinated Notes, or if there are no Rated Notes, Class Z Notes or Subordinated Notes then outstanding, prior to (but excluding) the Optional Redemption Date, the RC1 Residual Certificates, and thereafter, the RC2 Residual Certificates.

### **12.3 Most Senior Class and 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:
  - (i) subject to Residual Certificates Conditions 12.3(a)(ii) and (iii), an Extraordinary Resolution passed at any meeting of the holders of the Most Senior Class shall be binding on all other Classes of Noteholders and Certificateholders irrespective of the effect it has upon them;
  - (ii) subject to Residual Certificates Condition 12.3(a)(iii), 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 Post-Enforcement Priority of Payments in each case and (ii) the Certificateholders, irrespective of the effect it has upon them; and
  - (iii) no Extraordinary Resolution of any Class of Noteholders or Certificateholders shall take effect for any purpose while any of the Most Senior Class remain outstanding or (in the case of the Residual Certificates) remain in issue unless it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class or the Note Trustee and/or Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class,

provided that, in respect of any Extraordinary Resolution of a Class or Classes of Notes and/or Residual Certificates relating to any changes to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Swap Provider, (i) the written consent of the Swap Provider or (ii) written notification from the Issuer to

the Note Trustee and the Security Trustee that Swap Provider consent is not needed, is also required prior to such amendments being made.

- (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:
  - (i) Notes and/or Residual Certificates of only one Class, 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 and/or Residual Certificates so affected;
  - (ii) Notes and/or Residual Certificates of more than one Class but does not give rise to a conflict of interest between the holders of such Notes and/or Residual Certificates 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 and/or Residual Certificates of such Class;
  - (iii) one or more Classes of Notes and/or Residual Certificates and gives, or may give rise to an actual or potential conflict of interest between the holders of such Notes and/or 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 and/or Residual Certificates so affected;
  - (iv) one or more Classes of Notes and/or Residual Certificates but does not give rise to, an actual or potential conflict of interest between the holders of such Notes and/or 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 and/or Residual Certificates so affected; and
  - (v) two or more Classes of Notes and/or Residual Certificates and gives, or may give, rise to an actual or potential conflict of interest between the holders of such Classes of Notes and/or 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 or Residual Certificates so affected.
- (c) No Extraordinary Resolution of the holders of a Class or Classes of Notes and/or 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 each affected Class of Residual Certificates then in issue which are affected by such Basic Terms Modification.
- (d) No Ordinary Resolution that is passed by the holders of any Class of Residual Certificates shall take effect for any purpose while any of the Most Senior Class remain outstanding or (in the case of the Residual Certificates) remain in issue unless it shall have been sanctioned by an Ordinary Resolution of the holders of the Most Senior Class, or the Note Trustee and/or Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of the Most Senior Class.

#### 12.4 Quorum

- (a) Subject as provided below, the quorum at any meeting of any Class of Residual Certificates for passing an Ordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of each Class or Classes of Residual Certificates then in issue.
- (b) Subject as provided below, the quorum at any meeting of any Class of any Residual Certificates for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of such Class of Residual Certificates then in issue.
- (c) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of any holders of any Residual Certificates passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of the Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes or of the method of calculating the date of payment in respect of any Class of 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 any Class of Residual Certificates (including, if any such modification is proposed for any Class of Notes), (iv) alter the currency in which payments under any Class of Notes or any Class of 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 any Class of Notes or any Class of 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 aggregate not less than (i) three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) three-quarters of such Class of 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 by a meeting of each relevant affected Class of Residual Certificates.
- (d) Subject as provided below, the quorum at any adjourned meeting of Certificateholders for passing an Ordinary Resolution will be one or more persons holding or representing not less than 10 per cent. of the Residual Certificates of such Class then in issue.
- (e) Subject as provided below, the quorum at any adjourned meeting of Certificateholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the Residual Certificates of such Class 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 Class of Residual Certificates passing an Extraordinary Resolution to sanction a Basic Terms Modification, shall be one or more persons holding or representing in aggregate not less than (i) 50 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding or (ii) 50 per cent. of such Class of 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 by a meeting of each relevant affected Class of Residual Certificates.



## 12.5 Modification to the Transaction Documents

- (a) The Note Trustee or, as the case may be, the Security Trustee may (or in the case of (iii) below, shall) at any time and from time to time, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders, the Certificateholders or any other Secured Creditors agree with the Issuer and any other parties in making or sanctioning any modification:
- (i) other than in respect of a Basic Terms Modification, 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 and, for the avoidance of doubt, any modification of the Non DD Collection Account Declaration of Trust which does not affect the manner in which the Issuer's Issuer Beneficiary Trust Share (as defined in the Non DD Collection Account Declaration of Trust) is calculated 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;
  - (ii) 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 (or if there are no Notes then outstanding and no Residual Certificates then in issue, all the Secured Creditors) such modification is of a formal, minor or technical nature or to correct a manifest error; or
  - (iii) to the Transaction Documents, the Conditions and/or the Residual Certificates Conditions that are requested in writing by the Issuer (acting in its own discretion or at the direction of any transaction party) in order to enable the Issuer to comply with any requirements which apply to it under European Regulation 648/2012 of 4 July 2012, known as the European Market Infrastructure Regulation ("**EMIR**"), irrespective of whether such modifications are (i) materially prejudicial to the interests of the holders of any Class of Notes or Residual Certificates or any other Secured Creditor or (ii) in respect of a Basic Terms Modification (any such modification, an "**EMIR Amendment**") and subject to receipt by the Note Trustee of a certificate of (i) the Issuer signed by two directors or (ii) the Servicer on behalf of the Issuer, certifying to the Note Trustee and the Security Trustee that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR. Neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification pursuant to this sub clause which (in the sole opinion of the Note Trustee and/or the Security Trustee) would have the effect of:
    - (A) exposing the Note Trustee (and/or the Security Trustee) to any liability against which it has not been indemnified and/or secured and/or pre funded to its satisfaction; or
    - (B) increasing the obligations or duties, or decreasing the protections of the Note Trustee (and/or the Security Trustee) in the Transaction Documents and/or the Residual Certificates Conditions,

provided that in respect of any modifications to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the

Swap Provider, (i) the prior written consent of the Swap Provider or (ii) written notification from the Issuer or the Servicer on behalf of the Issuer to the Note Trustee and the Security Trustee that Swap Provider consent is not needed, is required.

- (b) Notwithstanding anything to the contrary in the Trust Deed or the other Transaction Documents, when implementing any EMIR Amendment pursuant to this Residual Certificates Condition 12.5, the Note Trustee and/or Security Trustee shall not consider the interests of the Certificateholders, any other Secured Creditor or any other person, but shall act and rely solely and without further investigation on any certificate provided to it by the Issuer pursuant to this Residual Certificates Condition 12.5 and shall not be liable to any Certificateholder or other Secured Creditor for so acting or relying.

## 12.6 Additional Right of Modification

Notwithstanding the provisions of Residual Certificates Condition 12.5 (*Modification to the Transaction Documents*), the Note Trustee or, as the case may be, the Security Trustee, shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders, or any other Secured Creditor, subject to written consent of the Secured Creditors which a party to the relevant Transaction Documents (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document), to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Residual Certificates Conditions, the Conditions, the Trust Deed or any other Transaction Document to which it is a party or in relation to which it holds security or to enter into any new, supplemental or additional documents that the Issuer (in each case) considers necessary:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that:
- (i) the Issuer certifies in writing to the Note Trustee and the Security Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
  - (ii) in the case of any modification to a Transaction Document proposed by any of the Seller, the Servicer, the Swap Counterparty, the Cash Manager the Agent Bank, the Principal Paying Agent and the Issuer Account Bank (for the purpose of this Residual Certificates Condition 13.6 only, each a "**Relevant Party**", in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds):
    - (A) the Relevant Party certifies in writing to the Issuer, the Note Trustee and the Security Trustee that such modification is necessary for the purposes described in paragraph (ii)(x) and/or (y) above; and
    - (B) either:
      - I. the Issuer, the Relevant Party or the Servicer (on behalf of the Issuer) obtains from each of the Rating Agencies, a Rating Agency Confirmation (or certifies in writing to the Issuer (in the case of the Relevant Party or the Servicer) and the Note Trustee that no such Rating Agency Confirmation has been received within 30 days of a written request for such Rating Agency Confirmation) that such modification would not result in a downgrade, withdrawal or

suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency and would not result in any Rating Agency placing any Notes on rating watch negative (or equivalent) and, if relevant, delivers a copy of each such confirmation to the Issuer (in the case of the Relevant Party or the Servicer), the Note Trustee and the Security Trustee; or

- II. the Issuer, the Relevant Party or the Servicer (on behalf of the Issuer) certifies in writing to the Note Trustee and the Security Trustee that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and (C) the Relevant Party pays all costs and expenses (including legal fees) incurred by the Issuer and the Note Trustee and the Security Trustee in connection with such modification;
- (b) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 51 of the AIFM Regulation or Article 254 of the Solvency II Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRR, the AIFM Regulation or the Solvency II Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (c) for the purpose of enabling the Notes to be (or to remain) listed on the Irish Stock Exchange, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purposes of enabling the Issuer or any of the other Transaction Parties to comply with FATCA, provided that the Issuer or the relevant Transaction Party, as applicable, certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (e) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation and the Commission Delegated Regulation 2015/3 (including, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended from time to time (the "**CRA3 Requirements**"), including any requirements imposed by any regulation laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation (the "**STS Regulation**") proposed by the European Commission or any other obligation which applies under the CRA3 Requirements, the STS Regulation and/or any new regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect,

(the certificate to be provided by the Issuer, the Servicer (on behalf of the Issuer), and/or the Relevant Party, as the case may be, pursuant to Residual Certificates Conditions 12.6 (a)-(e) above being a "**Modification Certificate**"), provided that:

- (i) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee and the Security Trustee;
- (ii) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee both at the time the Note Trustee and the Security Trustee is notified of the proposed modification and on the date that such modification takes effect; and
- (iii) the consent of each Secured Creditor which is party to the relevant Transaction Document has been obtained,

and provided further that, other than in the case of a modification pursuant to Residual Certificates Condition 12.6(a)(i):

- (A) other than in the case of a modification pursuant to Residual Certificates Condition 12.6(a)(ii), either:
  - I. the Issuer or the Servicer (on behalf of the Issuer) obtains from each of the Rating Agencies a Rating Agency Confirmation (or certifies in the Modification Certificate that no such Rating Agency Confirmation has been received within 30 days of a written request for such Rating Agency Confirmation) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); or
  - II. the Issuer or the Servicer (on behalf of the Issuer) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and
- (B) the Issuer certifies in writing to the Note Trustee and the Security Trustee that (I) the Issuer has provided at least 30 calendar days' notice to the Certificateholders of the proposed modification in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*) and by publication on Bloomberg on the "Company News" screen relating to the Residual Certificates, and (II) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do

not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the most senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 13 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

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

Other than where specifically provided in this Residual Certificates Condition 12.6 (*Additional Right of Modification*) or any Transaction Document:

- (a) when implementing any modification pursuant to this Residual Certificates Condition 12.6 (*Additional Right of Modification*) (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee nor the Security Trustee shall consider the interests of the Noteholders, any other Secured Creditor or any other person but shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Residual Certificates Condition 12.6 (*Additional Right of Modification*) and shall not be liable to the Noteholders, any other Secured Creditor for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee and/or the Security Trustee would have the effect of (i) exposing the Note Trustee and/or the Security Trustee to any liability against which is has not be indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee and/or the Security Trustee in the Transaction Documents and/or these Residual Certificates Conditions.

Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (a) so long as any of the Notes rated by the Rating Agencies remains Outstanding, each Rating Agency;
- (b) the Secured Creditors; and
- (c) the Noteholders in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*).

## 12.7 **Authorisation or Waiver of Breach**

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, 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, but only if and in so far as it receives written confirmation from the Note Trustee that in its sole opinion the interests of the Most Senior Class or if there are no Notes then outstanding and no Residual Certificates then in issue, all the Secured Creditors will not be materially prejudiced thereby. The Note Trustee shall not exercise any powers conferred on it by this Residual Certificates

Condition 12.7 in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class 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.

**12.8 Notification of modifications, waivers, authorisations or determinations**

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 in accordance with Residual Certificates Condition 15 (*Notice to Certificateholders*), the Rating Agencies (while any Rated Notes remain outstanding) and the Secured Creditors as soon as practicable thereafter.

12.9 In connection with any such substitution of principal debtor referred to in Condition 8.4 (*Mandatory Redemption of the Notes 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 of any Class or Classes, it shall (A) have regard to the general interests of the Certificateholders of such Class or Classes 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 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 Residual Certificates in any such case to have regard (except as expressly provided otherwise) prior to (but excluding) the Optional Redemption Date, to the holders of the RC1 Residual Certificates and thereafter, to the holders of the RC2 Residual Certificates.

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 "**Ordinary Resolution**" means, in respect of the holders of any of the Classes of Residual Certificates:

(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 holders of the relevant Class of 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 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 Certificateholders of not less than a clear majority in number of the relevant Class of Residual Certificates then in issue.

12.13 "**Extraordinary Resolution**" means, in respect of the holders of any of the Classes of Residual Certificates:

- (a) a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Trust Deed and the Residual Certificates Conditions by a majority consisting of not less than three-quarters of the Eligible Persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll;
- (b) a resolution in writing signed by or on behalf of the Certificateholders of not less than three-quarters in number of the holders of the relevant Class of 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 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 Certificateholders of not less than three-quarters in number of the holders of the relevant Class of Residual Certificates then in issue.

12.14 "**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.

12.15 "**Voting Certificate**" means an English language certificate issued by a Paying Agent in which it is stated:

- (a) that on the date thereof the Notes and/or Residual Certificates (not being the Notes and/or Residual Certificates (as applicable) in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a clearing system and that no such Notes and/or Residual Certificates will cease to be so blocked until the first to occur of:
  - (i) the conclusion of the meeting specified in such Voting Certificate; and
  - (ii) the surrender of the Voting Certificate to the Paying Agent who issued the same; and
- (b) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes and/or Residual Certificates represented by such Voting Certificate.

12.16 "**Block Voting Instruction**" means an English language document issued by a Paying Agent in which:

- (a) it is certified that on the date thereof Notes and/or Residual Certificates (not being Notes and/or Residual Certificates (as applicable) in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a clearing system and that no such Notes and/or such Residual Certificates will cease to be so blocked until the first to occur of:
  - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
  - (ii) the Notes and/or the Residual Certificates ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer of the necessary amendment to the Block Voting Instruction;
- (b) it is certified that each holder of such Notes and/or such Residual Certificates has instructed such Paying Agent that the vote(s) attributable to the Notes and/or the Residual Certificates so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
- (c) the aggregate principal amount or aggregate total amount of the Notes and/or the number of Residual Certificates so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (d) one or more persons named in such Block Voting Instruction (each hereinafter called a "**proxy**") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes and/or the Residual Certificates so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction, provided that no such person shall be named as a proxy:
  - (i) whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting; and
  - (ii) who was originally appointed to vote at a meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the meeting when it is resumed.

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 and Security 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 and Security 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 and Security Trustee may in their 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 and Security 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 except that, to the extent that the provisions of the Mortgage Sale Agreement, the Deed of Charge and any security documents supplemental thereto relate to Scottish Loans, such provisions and documents shall be construed and/or (as applicable) governed by Scots 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 the Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Prospective Noteholders 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. The Residual Certificates are not considered below.*

### **Interest on the Notes**

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in Member States of the European Economic Area and are admitted to trading on the Main Securities Market of the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.) , subject to any available exemptions or reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to 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).

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes or Residual Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes or Residual Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes and Residual Certificates, such withholding would not apply prior to 1 January 2019 and Notes or Residual Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes or Residual Certificates. In the event any withholding

would be required pursuant to FATCA or an IGA with respect to payments on the Notes or Residual Certificates, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

Lloyds Bank plc ("**Lloyds**" and the "**Arranger**"), Bank of America Merrill Lynch (which is the trading name of Merrill Lynch International) ("**BAML**") and MUFG Securities EMEA plc ("**MUFG**"), and together with Lloyds and BAML, each a "**Joint Lead Manager**" and together the "**Joint Lead Managers**" in respect of the Rated Notes), CML (in respect of the Class Z Notes and the Subordinated Notes) and the Seller have, pursuant to a subscription agreement dated on or around 26 July 2017 between the Seller, CML, the Arranger, the Joint Lead Managers and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay for:

- (a) in the case of the Joint Lead Managers:
  - (i) £260,172,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes;
  - (ii) £12,636,000 of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes;
  - (iii) £9,663,000 of the Class C Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class C Notes;
  - (iv) £11,893,000 of the Class D Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class D Notes; and
- (b) in the case of CML:
  - (i) £2,977,000 of the Class Z Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class Z Notes; and
  - (ii) £5,888,000 the Subordinated Notes at the issue price of 100 per cent. of the aggregate principal amount of the Subordinated Notes,

respectively as at the Closing Date.

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

CML has no obligation to retain the Class Z Notes on an on-going basis.

Pursuant to the Subscription Agreement, the Seller will undertake to the Joint Lead Managers and the Arranger that it will (i) retain on an on-going basis, the Retained Exposures in accordance with Article 405 of the CRR, Article 51 of the AIFM Regulation, and Article 254 of the Solvency II Regulation (which in each case, does not take into account any corresponding national measures), (ii) comply with the disclosure obligations imposed on sponsor and originator credit institutions under Article 409 of Part Five of the CRR, subject always to any requirement of law, provided that the Seller will not be in breach of such undertaking if it fails to so comply due to events, actions or circumstances beyond its control and (iii) not sell, hedge or otherwise mitigate (and shall procure that none of its affiliates shall sell, hedge or otherwise mitigate) the credit risk under or associated with the Retained Exposures except to the extent permitted under the CRR, the AIFM Regulation or the Solvency II Regulation.

As at the Closing Date, such retention requirement will be satisfied by the Seller retaining randomly selected exposures equivalent to no less than 5 per cent. of the nominal value of the securitised exposures, where such exposures would otherwise have been securitised in the transaction effected by the Issuer, as required by the text of each of paragraph (c) of Article 405(1) of Part Five of the CRR, paragraph (c) of Article 51(1) of the

AIFM Regulation and paragraph (c) of Article 254(2) of the Solvency II Regulation. Any change to the manner in which such interest is held will be notified to the Noteholders.

Except with the express written consent of the Seller in the form of a U.S. Risk Retention Consent and where such sale falls within the exemption provided by Section 20 of the U.S. Risk Retention Rules, the Notes or the Residual Certificates offered and sold by the Issuer may not be purchased by any person except for persons that are not Risk Retention U.S. Persons.

***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 the state securities laws or "blue sky" laws of any state or any other relevant jurisdiction of the United States and therefore 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) and CML (in respect of the Class Z Notes and the Subordinated Notes only) and the Seller have 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 (the "**Distribution Compliance Period**") 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), CML (in respect of the Class Z Notes and the Subordinated Notes only) 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, CML 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 the Joint Lead Managers, CML and 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 of the Joint Lead Managers (in respect of the Rated Notes only) and CML (in respect of the Class Z Notes and Subordinated only), represent, warrant and undertake 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 2015 (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.

## **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, CML 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, the Joint Lead Managers (in respect of the Rated Notes only), CML (in respect of the Class Z Notes and Subordinated Notes only) 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.

## **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***

Each purchaser of the Notes or the Residual Certificates (which term for the purposes of this section will be deemed to include any interest in the Notes or Residual Certificates, including Book-Entry Interests) during the initial syndication will be deemed to have represented and agreed as follows: it (1) either (i) is not a Risk Retention U.S. Person or (ii) has obtained a U.S. Risk Retention Consent, (2) is acquiring such Note, Residual Certificate or a beneficial interest therein for its own account and not with a view to distribute such Notes or Residual Certificates and (3) is not acquiring such Note, Residual Certificate or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules);

### ***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, the Joint Lead Managers 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 REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

EACH PURCHASER OR HOLDER OF THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED BY SUCH PURCHASE AND/OR HOLDING THAT (I) IT IS NOT AND IS NOT USING THE ASSETS OF A BENEFIT PLAN INVESTOR, AND SHALL NOT AT ANY TIME HOLD THIS NOTE FOR OR ON BEHALF OF A BENEFIT PLAN INVESTOR AND (II) IT IS NOT AND IS NOT USING THE ASSETS OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO FEDERAL, STATE, LOCAL OR NON-U.S. LAWS WHICH ARE SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("**ERISA**") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"). THE TERM "**BENEFIT PLAN INVESTOR**" SHALL MEAN (1) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), WHICH IS SUBJECT TO TITLE I OF ERISA, (II) A PLAN DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY UNDER U.S. DEPARTMENT OF LABOR REGULATIONS § 2510.3-101 (29 C.F.R. § 2510-101) AS MODIFIED BY SECTION 3(42) OF ERISA.

*Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.*

## GENERAL INFORMATION

1. It is expected that the admission of the Notes to the Official List of the Irish Stock Exchange and the admission of the Notes to trading on the Irish Stock Exchange's Main Securities Market will be granted on or around 27 July 2017.
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 12 June 2017 (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 2017. 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 12 June 2017 (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 24 July 2017.
8. The Notes and the Residual Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

<b>Class of Notes/Residual Certificates</b>	<b>ISIN</b>	<b>Common Code</b>
Class A Notes	XS1639772224	163977222
Class B Notes	XS1639772570	163977257
Class C Notes	XS1639773115	163977311
Class D Notes	XS1639773206	163977320
Class Z Notes	XS1639773545	163977354
Subordinated Notes	XS1639775839	163977583
RC1 Residual Certificates	XS1639888103	163988810
RC2 Residual Certificates	XS1639895066	163989506

9. From the date of this Prospectus and for so long as the Notes remain outstanding (including the period while this Prospectus is valid and the Notes are listed on the Irish Stock Exchange and admitted to trading on its Main Securities Market), physical copies of the following documents may be inspected at the registered office of the Issuer (and, with the exception of (a) below, at the

specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):

- (a) the memorandum and articles of association of each of the Issuer and Holdings;
- (b) physical copies of the following documents:
  - (i) the Agency Agreement;
  - (ii) the Deed of Charge (together with any supplemental documents thereto, including for the avoidance of doubt, the Scottish Supplemental Charge);
  - (iii) the Deed Poll;
  - (iv) the Cash Management Agreement;
  - (v) the Master Definitions and Construction Schedule;
  - (vi) the Mortgage Sale Agreement;
  - (vii) the Corporate Services Agreement;
  - (viii) the Bank Account Agreement;
  - (ix) the Collection Account Agreement;
  - (x) the Collection Accounts Declaration of Trust;
  - (xi) the Non-DD Collection Account Declaration of Trust;
  - (xii) the Non-DD Collection Account Accession Undertaking;
  - (xiii) the Scottish Declaration of Trust;
  - (xiv) the Servicing Agreement;
  - (xv) the Share Trust Deed;
  - (xvi) the Trust Deed; and
  - (xvii) the Swap Agreement.

and the following documents will be available on EuroABS:

- (xviii) a cashflow model (setting out the transaction cashflows); and
- (xix) loan-level statistics in respect of the Loans.

10. From the date of this Prospectus and for so long as the Notes remain outstanding (including the period while this Prospectus is valid and the Notes are listed on the Irish Stock Exchange and admitted to trading on its Main Securities Market, the Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. The defined terms used in the Investor Reports shall, by reference, incorporate the defined terms set out generally in the Prospectus and more specifically in the Master Definitions and Construction Schedule. Such Investor Reports will be published on the website at [usbank.com/abs](http://usbank.com/abs). Investor Reports will also be made available to the Seller and the Rating Agencies and will be

published on EuroABS. In addition, information on the Loans in the Portfolio will be published on the website at [usbank.com/abs](http://usbank.com/abs) and will also be available to view on EuroABS. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans. In addition, the Issuer shall disclose in the first Investor Report the amount of Notes: (i) privately placed with investors which are not the Seller or part of the Seller's Group, (ii) retained by the Seller or by a member of the Seller's Group and (iii) publicly placed with investors which are not in the Seller's Group. The Issuer shall also disclose (to the extent possible), in relation to any amount initially retained by a member of the Seller's Group, but subsequently placed with investors which are not in the Seller's Group, such placement in the next Investor Report.

**"Seller's Group"** means the Seller, together with: (a) its holding company, (b) its subsidiaries and (c) any other affiliated company as set out in the published accounts of any such company, but excluding any entities that are in the business of investing in securities and whose investment decisions are taken independently of, and at arm's length from, the Seller.

11. The Issuer confirms that the Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. Investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
12. 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.
13. Any website referred to in this document does not form part of the Prospectus.

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