
IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED BELOW)

IMPORTANT: You must read the following before continuing. The following applies to the prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the prospectus. In accessing the prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE NOTES MAY NOT BE OFFERED OR SOLD EXCEPT (I) IN THE UNITED STATES TO PERSONS WHO ARE "QUALIFIED INSTITUTIONAL BUYERS" (QIBS) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A OR ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (II) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS PURSUANT TO, AND IN COMPLIANCE WITH, REGULATION S UNDER THE SECURITIES ACT AND APPLICABLE SECURITIES REGULATIONS IN EACH JURISDICTION IN WHICH THE NOTES ARE OFFERED. THE NOTES ARE NOT TRANSFERABLE EXCEPT UPON SATISFACTION OF CERTAIN CONDITIONS AS DESCRIBED IN THE SECTION ENTITLED "*TRANSFER RESTRICTIONS*" BELOW.

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 either (i) not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia or (ii) a QIB and (d) if you are a person in the United Kingdom, then you are a person who (i) is an investment professional within the meaning of article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **FPO**) or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO (together, **relevant persons**). In the UK, this prospectus must not be acted or relied on by persons who are not relevant persons. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

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 neither the Issuer, TSB Bank plc, Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banco de Sabadell, S.A. and Citigroup Global Markets Limited nor any person who controls it nor any director, officer, employee nor agent of it, 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 TSB Bank plc, Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banco de Sabadell, S.A. and Citigroup Global Markets Limited.

DUNCAN FUNDING 2016-1 PLC

(Incorporated in England and Wales with limited liability, registered number 10091290)

Class of Notes	Initial Principal Amount	Interest Reference Rate	Relevant Margin Before Step-Up Date	Step-Up Date	Relevant Margin Following Step-Up Date	Final Legal Maturity Date	Ratings (Moody's / Fitch)
Class A1a	€150,000,000	Three-Month EURIBOR	0.40%	19 April 2021	0.80%	17 April 2063	Aaa (sf) / AAAsf
Class A1b	€834,400,000	Three-Month Sterling LIBOR	0.77%	19 April 2021	1.54%	17 April 2063	Aaa (sf) / AAAsf
Class A2	€450,000,000	Three-Month Sterling LIBOR	0.79%	19 April 2021	1.58%	17 April 2063	Aaa (sf) / AAAsf
Class A3	€1,450,000,000	Three-Month Sterling LIBOR	0.82%	19 April 2021	1.64%	17 April 2063	Aaa (sf) / AAAsf
Class B	€79,600,000	Three-Month Sterling LIBOR	1.80%	19 April 2021	2.80%	17 April 2063	Aa2 (sf) / AAsf
Class C	€47,800,000	Three-Month Sterling LIBOR	2.50%	19 April 2021	3.50%	17 April 2063	Aa3 (sf) / Asf
Subordinated Note	€207,000,000	Three-Month Sterling LIBOR	0.00%	N/A	0.00%	17 April 2063	N/A
Retention Note	€170,656,000(1)	Three-Month Sterling LIBOR	(2)	(3)	N/A	17 April 2063	N/A

- (1) The Principal Amount Outstanding of the Retention Note will be comprised of the Retention Tranche A1a Principal Amount, the Retention Tranche A1b Principal Amount, the Retention Tranche A2 Principal Amount, the Retention Tranche A3 Principal Amount, the Retention Tranche B Principal Amount, the Retention Tranche C Principal Amount, the Retention Tranche SN Principal Amount, the Retention Tranche SUL Principal Amount and the Retention Tranche Deferred Consideration Amount (collectively, the **Retention Note Principal Amount**). The Principal Amount Outstanding of each Retention Tranche will be equal to at least 5 per cent. of the Principal Amount Outstanding of the corresponding Class of Notes.
- (2) The Relevant Margin on the Retention Note will be, with respect to: (i) the Retention Tranche A1a Principal Amount, the spread payable by the Issuer under the Currency Swap; (ii) the Retention Tranche A1b Principal Amount, the Relevant Margin applicable to the Class A1b Notes; (iii) the Retention Tranche A2 Principal Amount, the Relevant Margin applicable to the Class A2 Notes; (iv) the Retention Tranche A3 Principal Amount, the Relevant Margin applicable to the Class A3 Notes; (v) the Retention Tranche B Principal Amount, the Relevant Margin applicable to the Class B Notes; (vi) the Retention Tranche C Principal Amount, the Relevant Margin applicable to the Class C Notes; (vii) the Retention Tranche SN Principal Amount, the Relevant Margin applicable to the Subordinated Note; and (viii) the Retention Tranche SUL Principal Amount, the interest rate paid on the Start-Up Loan. No interest will be paid to the Retention Noteholder with respect to Retention Tranche Deferred Consideration.
- (3) The Step-Up Date with respect to the portions of the Retention Note comprised by the Retention Note Amortising Tranches will be 19 April 2021.

Issue Date The Issuer expects to issue the notes (the **Notes**) in the classes set out above on or about 27 May 2016 (the **Closing Date**).

Underlying Assets The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue received from a portfolio comprising mortgage loans (the **Loans**) originated or acquired by TSB Bank plc (**TSB Bank**) and secured over residential properties located in England, Wales and Scotland (the **Portfolio**) which will be purchased by the Issuer on the Closing Date. In addition, subject to the satisfaction of certain criteria, the Issuer will from time to time acquire additional Loans which will be included in the Portfolio. See the section entitled "*Characteristics of the Provisional Portfolio*" for more detail.

Credit Enhancement and Liquidity Support

- In respect of the Class A Notes, subordination by way of the Class B Notes, the Class C Notes, the Subordinated Note and certain payments on the Retention Note, the Liquidity Reserve Fund, the availability of Principal Receipts in certain circumstances to provide for Revenue Deficiency (subject to the Cumulative Default Triggers) and the availability of excess spread for the Class A1a Notes, Class A1b Notes, Class A2 Notes and Class A3 Notes.
- In respect of the Class B Notes, subordination by way of the Class C Notes, the Subordinated Note and certain payments on the Retention Note, the Liquidity Reserve Fund (subject to the Cumulative Default Triggers), the availability of Principal Receipts in certain circumstances to provide for Revenue Deficiency (subject to the Cumulative Default Triggers) and the availability of excess spread for the Class B Notes.
- In respect of the Class C Notes, subordination by way of the Subordinated Note and certain payments on the Retention Note, the availability of Principal Receipts in certain circumstances to provide for Revenue Deficiency (subject to the Cumulative Default Triggers) and the availability of excess spread for the Class C Notes.

- Excess Available Revenue Receipts.
- An interest rate swap with Wells Fargo Bank, N.A., London Branch.
- A currency swap with respect to the Class A1a Notes with Wells Fargo Bank, N.A., London Branch.
- Issuer Available Principal Receipts applied to make up Revenue Deficiency (subject to certain Cumulative Default Triggers).

See the sections entitled “*Credit Structure*” and “*Terms and Conditions of the Notes*” for further details.

Redemption Provisions

Information on any optional and mandatory redemption of the Notes is summarised on page 35 under “*Transaction Overview—Overview of the Terms and Conditions of the Notes—Mandatory Redemption*,” “*—Optional Redemption for Tax or Other Reasons*” and “*—Redemption of the Rated Notes at the Option of the Issuer*” and set out in full in Condition 7.3 (*Optional Redemption of the Rated Notes in Full*).

Rating Agencies

As of the Closing Date, Moody’s Investors Service Ltd. (**Moody’s**) and Fitch Ratings Ltd. (**Fitch** and, together with Moody’s, 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 (EC) No 1060/2009 (as amended) (the **CRA Regulation**). As such, each of the Rating Agencies is included on the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the EU before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

All references to Moody’s and Fitch in this Prospectus are to the entities as defined in the above paragraph.

Ratings

Ratings are expected to be assigned to the Class A1a Notes, the Class A1b Notes, the Class A2 Notes, the Class A3 Notes (together, the **Class A Notes**), the Class B Notes and the Class C Notes (together with the Class A Notes, the **Rated Notes**) as set out above on the Closing Date. All of the ratings of the Rated Notes will be issued by the Rating Agencies. The ratings reflect the views of the Rating Agencies and are based on the Loans, the Related Security and the Properties and the structural features of the transaction. The ratings assigned by Fitch address the likelihood of full and timely payment to the Noteholders (i) of interest due on each Interest Payment Date (as defined below) and (ii) of principal on a date that is not later than the Final Legal Maturity Date. The ratings assigned by Moody’s address the expected loss to a Noteholder in proportion to the initial principal amount of the Class of Notes held by the Noteholder by the Final Legal Maturity Date. In Moody’s opinion, the structure allows for timely payment of interest and principal at par by the Final Legal Maturity Date.

The assignment of ratings to the Rated Notes 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 organisation. Any credit rating assigned to the Rated Notes may be revised or withdrawn at any time.

The Rating Agencies have informed the Issuer that the “sf” designation in the ratings represents an identifier of structured finance product ratings and was implemented by the Rating Agencies for ratings of structured finance products as of August 2010.

Any credit rating assigned to the Rated Notes may be revised, suspended or withdrawn at any time. Certain nationally recognised statistical rating organisations (**NRSROs**), as defined in Section 3(a)(62) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**), that were not hired by the Issuer to rate the Notes may use information they receive pursuant to Rule 17g-5 under the Exchange Act to rate the Notes. No assurance can be given as to what ratings a non-hired NRSRO would assign. See “*Risk Factors—Credit Structure—Unsolicited Ratings and the Selection and Qualification of Rating Agencies Rating the Notes may Impact the Value of the Notes*”.

Neither the Subordinated Note nor the Retention Note will be rated.

Listing

This Prospectus comprises a prospectus for the purpose of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU, to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area (the **Prospectus Directive**)). Application has been made to the Financial Conduct Authority (the **FCA**) under Part VI of the Financial Services and Markets Act 2000 (the **FSMA**) for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom (the **UK Listing Authority**), for approval of this Prospectus as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of the Rated Notes to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Rated Notes to be admitted to trading on the regulated market of the London Stock Exchange which is a “regulated market” for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) (the **regulated market of the London Stock Exchange**). References in this Prospectus to Rated Notes being “listed” (and all related references) shall mean that such Rated Notes have been admitted to trading on the regulated market of the London Stock Exchange and have been admitted to the Official List.

Neither the Subordinated Note nor the Retention Note has been admitted to trading on the regulated market of the London Stock Exchange or admitted to the Official List. Information contained in this Prospectus relating to the Subordinated Note and the Retention Note is included herein for completeness.

Obligations

The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes will not be obligations of or guaranteed by TSB Bank, its affiliates, the Arranger, any of the Joint Lead Managers or any other party named in the Prospectus other than the Issuer.

EU Retention Undertaking TSB Bank, in its capacity as originator, undertakes to the Issuer and the Note Trustee that it will retain, on an on-going basis, a material net economic interest in the transaction which shall in any event not be less than 5 per cent., in accordance with Article 405 of Regulation (EU) No. 575/2013 (the **Capital Requirements Regulation** or **CRR**), Article 17 of the Alternative Investment Fund Managers Directive (the **AIFMD**), Article 51 of Regulation (EU) No. 231/2013 (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) (together, the **EU Risk Retention Requirements**). As at the Closing Date, such interest will be comprised of the Retention Note which will equal no less than 5 per cent. of the nominal value of each Class of Notes sold or transferred to investors on the Closing Date, as required by the EU Risk Retention Requirements. Any change to the manner in which such interest is held may only be made in accordance with the applicable laws and regulations and will be notified to investors. See “*Certain Regulatory Disclosures—EU Risk Retention Requirements*” for more information.

U.S. Credit Risk Retention TSB Bank, in its capacity as sponsor (or a majority-owned affiliate of TSB Bank, as sponsor), is required under Section 15G of the Exchange Act (the **U.S. Credit Risk Retention Requirements**) to acquire and retain an economic interest in the credit risk of the interests created by the Issuer on the Closing Date in an amount of, in the case of vertical risk retention, not less than 5 per cent. TSB Bank intends to satisfy the U.S. Credit Risk Retention Requirements by acquiring and retaining an eligible vertical interest (the **EVI**) in the form of a single vertical security equal to a minimum of 5 per cent. of the aggregate Principal Amount Outstanding of each Class of Notes and other ABS interests (as defined in the U.S. Credit Risk Retention Requirements) issued by the Issuer (other than the EVI). The single vertical security will be referred to as the Retention Note. Please refer to the section entitled “*Certain Regulatory Disclosures—U.S. Credit Risk Retention Requirements*” below.

Significant Investor On the Closing Date, TSB will purchase and retain a portion of the Class A1b Notes and all of the Class A2 Notes, the Class A3 Notes, the Class B Notes, the Class C Notes, the Subordinated Note and the Retention Note.

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

The Notes have 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 may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act (Regulation S)) except to persons that are qualified institutional buyers within the meaning of Rule 144A (Rule 144A) under the Securities Act (QIBs), or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered only to (i) non-U.S. persons (as defined in Regulation S under the Securities Act (Regulation S)) outside the United States in reliance on Regulation S, or (ii) QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A.

The Issuer will be relying on an exclusion or exemption from the definition of “Investment Company” under the Investment Company Act of 1940 (the Investment Company Act), as contained in Section 3(C)(5)(C) of the Investment Company Act, although these may be additional exclusions or exemptions available to the Issuer. The Issuer is of the view that it is not now, and immediately following the issuance of the Notes and the application of the proceeds thereof, it will not be a “covered fund” for the purposes of the Volcker Rule under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Arranger

BANK OF AMERICA MERRILL LYNCH

Joint Lead Managers

BANCO DE SABADELL, S.A.

**BANK OF AMERICA MERRILL
LYNCH**

CITIGROUP

The date of this Prospectus is 24 May 2016

NOTICE TO INVESTORS

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS AND UNLESS SO REGISTERED MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, (A) THE REG S NOTES (AS DEFINED HEREIN) ARE BEING OFFERED AND SOLD ONLY TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT AND (B) THE RULE 144A NOTES (AS DEFINED HEREIN) ARE BEING OFFERED AND SOLD IN THE UNITED STATES ONLY TO QIBS IN ACCORDANCE WITH RULE 144A. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES OR TRANSFERS, SEE THE SECTION ENTITLED "*TRANSFER RESTRICTIONS*" SET OUT BELOW.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE INTEREST RATE SWAP PROVIDER, THE CURRENCY SWAP PROVIDER, THE ACCOUNT BANK, THE SWAP COLLATERAL ACCOUNT BANK(S), ANY JOINT LEAD MANAGER OR THE ARRANGER THAT THIS PROSPECTUS MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS PROSPECTUS AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE BY THE UK LISTING AUTHORITY, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE INTEREST RATE SWAP PROVIDER, THE CURRENCY SWAP PROVIDER, THE SWAP COLLATERAL ACCOUNT BANK(S), ANY JOINT LEAD MANAGER OR THE ARRANGER 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 AND EACH OF THE ARRANGER AND THE JOINT LEAD MANAGERS HAS REPRESENTED THAT ALL OFFERS AND SALES BY IT WILL BE MADE ON SUCH TERMS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE ISSUER AND THE ARRANGER TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS. EACH PURCHASER OF THE NOTES WILL BE DEEMED BY ITS ACCEPTANCE OF SUCH NOTES TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF THE NOTES AS SET FORTH THEREIN AND DESCRIBED IN THIS PROSPECTUS AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE AND OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. SEE "*TRANSFER RESTRICTIONS*".

NONE OF THE ISSUER, THE JOINT LEAD MANAGERS OR THE ARRANGER 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 WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE INTEREST RATE SWAP PROVIDER, THE CURRENCY SWAP PROVIDER, THE SWAP COLLATERAL ACCOUNT BANK(S), THE ARRANGER, THE SERVICER, THE CORPORATE SERVICES PROVIDER, THE BACK-UP FACILITATOR, THE CASH MANAGER, THE ISSUER ACCOUNT BANK, THE START-UP LOAN PROVIDER, THE SUBORDINATED NOTEHOLDER, THE RETENTION NOTEHOLDER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, ANY JOINT LEAD MANAGER, THE ARRANGER, ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY

TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE CORPORATE SERVICES PROVIDER, THE INTEREST RATE SWAP PROVIDER, THE CURRENCY SWAP PROVIDER, THE SWAP COLLATERAL ACCOUNT BANK(S), THE SERVICER, THE BACK-UP FACILITATOR, THE CASH MANAGER, THE ISSUER ACCOUNT BANK, THE START-UP LOAN PROVIDER, THE SUBORDINATED NOTEHOLDER, THE RETENTION NOTEHOLDER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, ANY JOINT LEAD MANAGER OR THE ARRANGER OR BY ANY PERSON OTHER THAN THE ISSUER.

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 IMPORTANCE 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.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE LISTING OF THE RATED 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, THE SECURITY TRUSTEE, ANY JOINT LEAD MANAGER, THE ARRANGER, OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE LISTING OF THE RATED NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE SELLER OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER AND THE OTHER SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN BE GIVEN BY THE ARRANGER, THE JOINT LEAD MANAGERS, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGER, THE JOINT LEAD MANAGERS, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE HAS SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE ARRANGER, 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 LISTING, 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 JOINT LEAD MANAGERS OR THE ARRANGER OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

PAYMENTS OF INTEREST AND PRINCIPAL IN RESPECT OF THE NOTES WILL BE SUBJECT TO ANY APPLICABLE WITHHOLDING TAXES WITHOUT THE ISSUER OR ANY OTHER PERSON BEING OBLIGED TO PAY ADDITIONAL AMOUNTS THEREFOR.

THE ARRANGER AND EACH OF THE JOINT LEAD MANAGERS HAS REPRESENTED, WARRANTED AND UNDERTAKEN 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 FINANCIAL SERVICES AND MARKETS ACT 2000 (THE **FSMA**)) RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE NOTES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUER, AND
- (B) IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE NOTES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

In this Prospectus, all references to **pounds, Sterling, GBP** and **£** are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the **United Kingdom** or the **UK**). References in this Prospectus to **€** and **Euro** are references to the currency of the Member States of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended from time to time. References in this Prospectus to **USD, US\$, \$, U.S. dollars** or **dollars** are to the lawful currency of the United States of America.

In this Prospectus, all references to **Class** in relation to the Notes means the Class A1a Notes, the Class A1b Notes, the Class A2 Notes, the Class A3 Notes, the Class B Notes, the Class C Notes, the Subordinated Note or the Retention Note, as the context may require.

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**). 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.

The PCS Secretariat has awarded the PCS Label with respect to the Class A Notes. However, there can be no assurance that the PCS Label will not be withdrawn from the Class A Notes at a later date. Following the date of this Prospectus, any amendment to (i) the transactions contemplated herein, (ii) this Prospectus or (iii) the application documentation submitted to the PCS Secretariat which affect the correctness, or changes the details, of the original application for the PCS Label shall be notified by the Seller to the PCS Secretariat. Any failure to adhere to the PCS eligibility criteria may result in a subsequent withdrawal of the PCS Label and a retraction of the confirmation letter. 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.

For any Notes in respect of which a PCS Label is awarded: (A) the first Monthly Investor Report that follows the award of the PCS Label will disclose the amount of the Notes (i) privately placed with investors which are not in the Originator Group; (ii) retained by a member of the Originator Group; and (iii) publicly placed with investors which are not in the Originator Group; and (B) in relation to any amount initially retained by a member of the Originator Group, but subsequently placed with investors which are not in the Originator Group, the next Monthly Investor Report will (to the extent permissible) disclose such placement. For the purpose of this paragraph, **Originator Group** means TSB Bank, in its capacity as originator, and (i) its holding company; (ii) its subsidiaries; and (iii) any other affiliated company as set out in the published accounts of any such company but excluding entities within the group that are in the business of investing in securities and whose investment decisions are taken independently of, and at arm's length from, TSB Bank, in its capacity as originator.

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.

Information Regarding the Policies and Procedures of the Seller

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:

- criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits, as to which see the information set out under "*The Loans—Origination Channels—Lending Criteria*" and "*Summary of the Key Transaction Documents—Servicing Agreement*";
- systems in place to administer and monitor the various credit-risk bearing portfolios and exposures, as to which we note that the Portfolio will be serviced in line with the usual servicing procedures of the Seller and as to which see the information set out under "*Summary of the Key Transaction Documents—Servicing Agreement*";
- diversification of credit portfolios taking into account the Seller's target market and overall credit strategy, as to which, in relation to the Provisional Portfolio, see the information set out under "*Characteristics of the Provisional Portfolio*"; and
- policies and procedures in relation to risk mitigation techniques, as to which see the information set out under "*The Loans—Origination Channels—Lending Criteria*" and "*Summary of the Key Transaction Documents—Servicing Agreement*".

Forward-Looking Statements and Statistical Information

This Prospectus includes statements that are, or may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgments by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer.

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

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

The Notes may not be a Suitable Investment for all Investors

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Available Information

In connection with compliance with Rule 144A with respect to the sale of the Rule 144A Notes, for so long as the Rule 144A Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will be required to furnish, upon request of a holder of such Note, or any beneficial owner therein or any prospective purchaser thereof, to such holder or beneficial owner and any prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

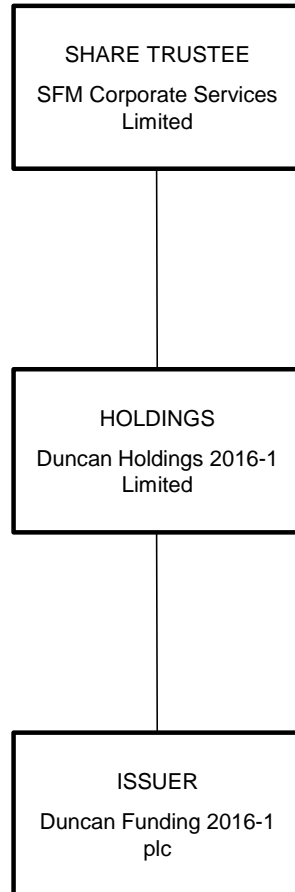
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DIAGRAMMATIC OVERVIEWS OF OWNERSHIP STRUCTURE, TRANSACTION PARTIES AND CASH FLOWS

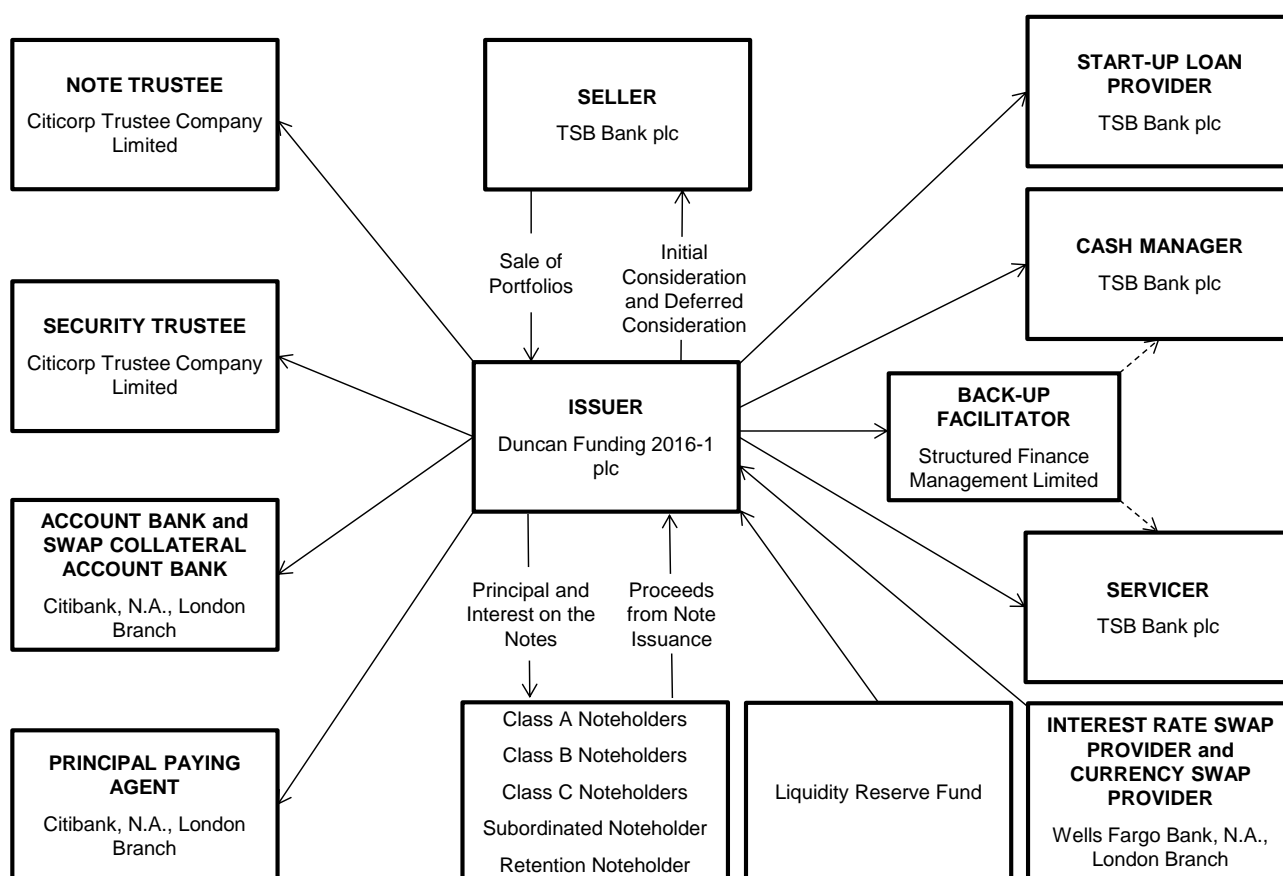
Diagrammatic Overview of the Issuer's Ownership Structure



This figure illustrates the ownership structure of the special purpose companies that are parties to the transaction, 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 discretionary trust, the benefit of which is expressed to be for discretionary purposes.
- None of the Issuer, Holdings or the Share Trustee are owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Seller or any member of the group of companies containing the Seller.

Diagrammatic Overview of the Transaction



This figure illustrates a brief overview of the transaction, as follows:

The Seller will sell the Initial Portfolio (comprising the Initial Loans, the Initial Related Security and all amounts derived therefrom) to the Issuer on the Closing Date.

The Issuer will use the proceeds of the issue of the Notes to pay the Initial Consideration in an amount equal to the Current Balance of the Loans in the Initial Portfolio on the Closing Date. At later dates, the Issuer will pay Deferred Consideration to the Seller from excess Available Revenue Receipts and excess Available Principal Receipts.

On the Closing Date, the Issuer will use the proceeds of the Start-Up Loan and the corresponding Retention Tranche SUL (a) to pay for certain of the Issuer's initial fees and expenses incurred in connection with the issue of the Notes and (b) to establish the Liquidity Reserve Fund in an amount equal to the Initial Liquidity Reserve Fund Required Amount.

The Issuer will purchase Further Advances on each Advance Date during the Revolving Period, by using principal receipts standing to the credit of the Class A3 Reserve Ledger and (once all amounts standing to the credit of the Class A3 Reserve Ledger have been used) the Principal Ledger, on a first in first out basis, and (if required) drawing an amount under the Subordinated Note, to pay for such Further Advances.

In addition, in any Monthly Period during the Revolving Period, the Seller may sell one or more New Portfolios (comprising new Loans, their Related Security and all amounts derived therefrom) to the Issuer on any Business Day following the Monthly Pool Date for that Monthly Period, if the Cash Manager ascertains on behalf of the Issuer, that there are sufficient funds standing to the credit of the Class A3 Reserve Ledger and (once all amounts standing to the credit of the Class A3 Reserve Ledger have been used) the Principal Ledger (following certain deductions) to pay for the requisite New Portfolio Purchase Price on the relevant Sale Date(s).

If the Issuer is unable to fund the purchase of any shortfall in Further Advance and/or any New Portfolios (in whole or in part) by an Interest Payment Date following the application of the Pre-Enforcement Principal Priority of Payments and utilising (if requested) any Subordinated Note Drawing and the corresponding Retention Note Drawing to meet the relevant shortfall amount(s), then the Seller must offer to repurchase the relevant Loan and its Related Security subject to the relevant Further Advance and/or in the relevant New Portfolio from the Issuer, on the Business Day immediately following such Interest Payment Date, at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase.

The Issuer will use Revenue Receipts and Principal Receipts received in respect of the Portfolio to meet its obligations to pay, among other items, interest amounts and principal amounts, respectively, to the Noteholders in accordance with, and subject to, the applicable Priority of Payments.

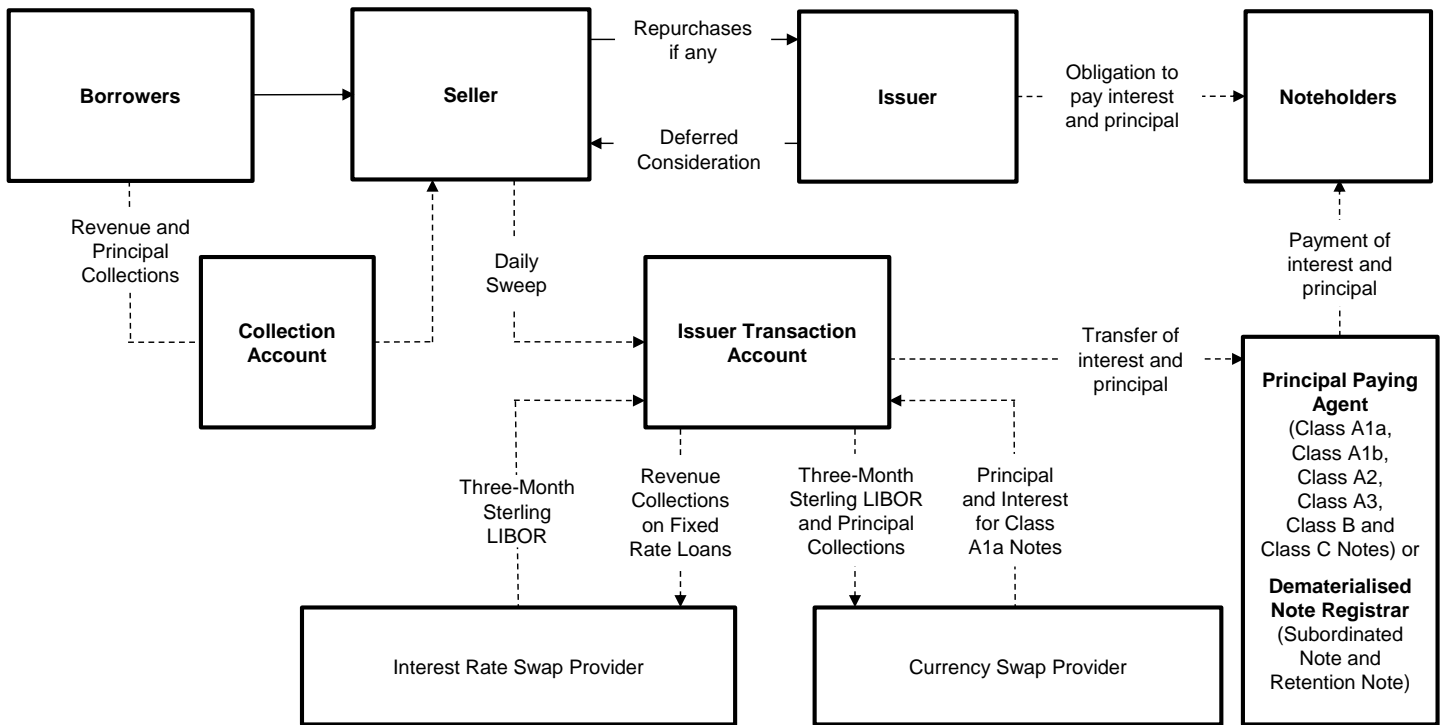
Pursuant to the terms of the Deed of Charge, the Issuer will grant security over all of its assets in favour of the Security Trustee, to secure its obligations to its various creditors, including the Noteholders.

The terms of the Notes will be governed by a Trust Deed made with the Note Trustee, among others.

The Issuer will open the Issuer Transaction Account with the Issuer Account Bank. The Issuer will enter into the Interest Rate Swap with the Interest Rate Swap Provider to hedge against the possible variance between various fixed rates of interest received on the Fixed Rate Loans in the Portfolio and a rate calculated by reference to Three-Month Sterling LIBOR. The Issuer will enter into the Currency Swap with the Currency Swap Provider to hedge against: (i) the currency mismatch and possible variance between the Sterling Interest Receipts received under the Loans, the Sterling amounts received under the Interest Rate Swap, and the Euro interest amounts due in respect of the Class A1a Notes; and (ii) the currency mismatch between the Sterling Principal Receipts received in respect of the Portfolio and the Euro principal amounts due on the Class A1a Notes.

The Issuer will open a Sterling cash Swap Collateral Account, a Euro cash Swap Collateral Account and a USD cash Swap Collateral Account with Citibank, N.A., London Branch (as a Swap Collateral Account Bank) on or about the Closing Date and may open any further Swap Collateral Accounts in accordance with the Transaction Documents.

Diagrammatic Overview of On-Going Cashflows



TRANSACTION OVERVIEW

The information set out below is an overview of various aspects of the transaction. 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. 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.

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

Transaction Parties on the Closing Date

The following is an overview of the parties and the principal features of the Notes, the Loans and their Related Security and the Transaction Documents and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus.

Party	Name	Address	Relevant Appointment Document and Further Information
Issuer	Duncan Funding 2016-1 PLC, a public limited company incorporated under the laws of England and Wales with registered number 10091290	35 Great St. Helen's London EC3A 6AP	The Issuer is a wholly owned subsidiary of Holdings in respect of its beneficial ownership. The Issuer was established as a special purpose entity for the purpose of, <i>inter alia</i> , issuing the Notes and using the gross proceeds from the sale of the Notes to acquire the Initial Portfolio and using certain Available Funds to acquire, from time to time, any New Portfolios from the Seller. See “ <i>The Issuer</i> ”.
Holdings	Duncan Holdings 2016-1 Limited, a private limited company incorporated under the laws of England and Wales with registered number 10091233	35 Great St. Helen's London EC3A 6AP	The issued share capital of Holdings is held by SFM Corporate Services Limited as share trustee (the Share Trustee) under the terms of a discretionary trust for discretionary purposes. See “ <i>Holdings</i> ”.
Seller	TSB Bank plc, a public limited company incorporated under the laws of Scotland with registered number SC095237 (TSB Bank)	Henry Duncan House 120 George Street Edinburgh EH2 4LH	The Mortgage Sale Agreement (the Mortgage Sale Agreement) to be entered into on or about the Closing Date among TSB Bank, the Issuer, the Servicer and the Security Trustee. On the Closing Date, the Seller will sell its Loans comprising the Initial Portfolio to the Issuer pursuant to the terms of the Mortgage Sale Agreement. On any Sale Date during the Revolving Period, the Seller may sell New Portfolios to the Issuer subject to the satisfaction of certain conditions. See “ <i>Summary of the Key Transaction Documents—Mortgage Sale Agreement</i> ” and “ <i>TSB Bank plc</i> ”.

Party	Name	Address	Relevant Appointment Document and Further Information
Servicer	TSB Bank	Henry Duncan House 120 George Street Edinburgh EH2 4LH	The Servicing Agreement (the Servicing Agreement) to be entered into on or about the Closing Date among the Servicer, the Back-Up Facilitator, the Issuer, the Seller and the Security Trustee. Pursuant to the terms of the Servicing Agreement, the Servicer will service the Loans sold by the Seller to the Issuer that comprise the Portfolio on behalf of the Issuer. See “ <i>Summary of the Key Transaction Documents—Servicing Agreement</i> ” and “ <i>TSB Bank plc</i> ”.
Cash Manager	TSB Bank	Henry Duncan House 120 George Street Edinburgh EH2 4LH	The Cash Management Agreement (the Cash Management Agreement) to be entered into on or about the Closing Date among the Cash Manager, the Back-Up Facilitator, the Issuer and the Security Trustee. The Cash Manager will act as agent for the Issuer to manage all cash transactions and maintain certain ledgers on behalf of the Issuer. See “ <i>Summary of the Key Transaction Documents—Cash Management Agreement</i> ” and “ <i>TSB Bank plc</i> ”.
Back-Up Facilitator	Structured Finance Management Limited (SFM)	35 Great St. Helen’s London EC3A 6AP	The Servicing Agreement and the Cash Management Agreement. Upon the occurrence of a Servicer Termination Event or a Cash Manager Termination Event under the Servicing Agreement or the Cash Management Agreement, as applicable, the Back-Up Facilitator will assist the Servicer or the Cash Manager, as applicable, the Seller, the Security Trustee and the Issuer in using reasonable endeavours to appoint a replacement servicer or cash manager, as applicable, which replacement may include the Back-Up Facilitator. See “ <i>Summary of the Key Transaction Documents—Servicing Agreement</i> ” and “ <i>—Cash Management Agreement</i> ”.
Note Trustee	Citicorp Trustee Company Limited, a private limited company incorporated under the laws of England and Wales with registered number 00235914 (Citicorp)	Citigroup Centre Canada Square Canary Wharf London E14 5LB	The Trust Deed (the Trust Deed) to be entered into on or about the Closing Date among the Issuer, the Security Trustee, the Subordinated Noteholder, the Retention Noteholder and the Note Trustee. The Note Trustee will agree to hold the benefit of the Issuer’s covenant to pay amounts due in respect of the Notes on trust for the holders of the Notes (the Noteholders). See “ <i>Summary of the Key Transaction Documents—Trust Deed</i> ” and “ <i>The Note Trustee and the Security Trustee</i> ”.

Party	Name	Address	Relevant Appointment Document and Further Information
Security Trustee	Citicorp	Citigroup Centre Canada Square Canary Wharf London E14 5LB	The Deed of Charge (the Deed of Charge) to be entered into on or about the Closing Date between <i>inter alios</i> the Issuer and the Security Trustee. The Security Trustee will hold the security to be granted by the Issuer under the Deed of Charge for the benefit of, <i>inter alios</i> , the Noteholders, and will be entitled to enforce the security granted in its favour under the Deed of Charge. See “ <i>Summary of the Key Transaction Documents—Deed of Charge</i> ” and “ <i>The Note Trustee and the Security Trustee</i> ”.
Interest Rate Swap Provider, Currency Swap Provider and, together with the Interest Rate Swap Provider, the Swap Providers and each, a Swap Provider	Wells Fargo Bank, N.A., London Branch (Wells Fargo)	One Plantation Place 30 Fenchurch Street London EC3M 3BD	A 2002 ISDA Master Agreement (including a schedule and a credit support annex thereto and a confirmation thereunder) (the Interest Rate Swap Agreement) to be entered into on or about the Closing Date between the Issuer and the Interest Rate Swap Provider (as amended from time to time) pursuant to which the Issuer will hedge against the possible variance between the various fixed rates of interest received on the Fixed Rate Loans in the Portfolio and Three-Month Sterling LIBOR (the Interest Rate Swap). See “ <i>Summary of the Key Transaction Documents—Interest Rate Swap Agreement</i> ” and “ <i>Interest Rate Swap Provider and Currency Swap Provider</i> ”.
			A 2002 ISDA Master Agreement (including a schedule and credit support annex thereto and a confirmation thereunder) (the Currency Swap Agreement) to be entered into on or about the Closing Date between the Issuer and the Currency Swap Provider (as amended from time to time) pursuant to which the Issuer will hedge against (i) the currency mismatch and possible variance between the Sterling Interest Receipts received under the Loans, the Sterling amounts received under the Interest Rate Swap and the Euro interest amounts due in respect of the Class A1a Notes, and (ii) the currency mismatch between the Sterling Principal Receipts received in respect of the Portfolio and the Euro principal amounts due on the Class A1a Notes (the Currency Swap). See “ <i>Summary of the Key Transaction Documents—Currency Swap Agreements</i> ” and “ <i>Interest Rate Swap Provider and Currency Swap Provider</i> ”.
			The Interest Rate Swap Agreement and the Currency Swap Agreement are together, the Swap Agreements . The Interest Rate Swap and the Currency Swap are together, the Swaps .

Party	Name	Address	Relevant Appointment Document and Further Information
Issuer Account Bank and Swap Collateral Account Bank(s)	Citibank, N.A., London Branch, acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (Citibank London Branch) and, in respect of the Swap Collateral Account(s), Citibank London Branch or any other entity with the Swap Collateral Account Bank Ratings appointed as such from time to time	Citigroup Centre Canada Square Canary Wharf London E14 5LB	<p>The Bank Account Agreement (the Bank Account Agreement) to be entered into on or about the Closing Date among the Issuer Account Bank, the Cash Manager, the Seller, the Issuer and the Security Trustee.</p> <p>The Swap Collateral Bank Account Agreement(s) (the Swap Collateral Bank Account Agreement(s)) to be entered into from time to time among the Issuer, the Security Trustee, the Cash Manager and the Swap Collateral Account Bank(s), pursuant to which the Issuer will open one or more Swap Collateral Accounts with that Swap Collateral Account Bank(s) including the agreement entered into between the Issuer and the Issuer Account Bank pursuant to which the Issuer will open a Sterling cash Swap Collateral Account, a Euro cash Swap Collateral Account and a USD cash Swap Collateral Account (the Swap Collateral Accounts) on or about the Closing Date.</p> <p>On or about the Closing Date, the Issuer will open, with the Issuer Account Bank, a transaction account (the Issuer Transaction Account), and with the Swap Collateral Account Bank, the Swap Collateral Accounts. The Issuer Transaction Account, the Swap Collateral Accounts and any additional accounts required to be established by the Issuer pursuant to the Bank Account Agreement, the Swap Agreements and the Swap Collateral Bank Account Agreement(s) are collectively referred to as the Bank Accounts.</p> <p>See “<i>Summary of the Key Transaction Documents—Bank Account Agreement</i>” and “<i>Summary of the Key Transaction Documents—Swap Collateral Bank Account Agreement</i>”.</p>
Start-Up Loan Provider	TSB Bank	Henry Duncan House 120 George Street Edinburgh EH2 4LH	The Start-Up Loan Agreement (the Start-Up Loan Agreement) to be entered into on or about the Closing Date between the Issuer and the Start-Up Loan Provider. See “ <i>Credit Structure—Start-Up Loan</i> ” and “ <i>TSB Bank plc</i> ”
Corporate Services Provider	Structured Finance Management Limited, a private limited company incorporated in England and Wales with registered number 3853947	35 Great St. Helen’s London EC3A 6AP	The Corporate Services Agreement (the Corporate Services Agreement) to be entered into on or about the Closing Date among the Issuer, Holdings, the Share Trustee, the Seller, the Security Trustee and the Corporate Services Provider.

Party	Name	Address	Relevant Appointment Document and Further Information
Agent Bank, Principal Paying Agent and Registrar	Citibank London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	The Agency Agreement (the Agency Agreement) to be entered into on or about the Closing Date among the Issuer, the Security Trustee, the Note Trustee, the Principal Paying Agent, the Registrar, the Dematerialised Note Registrar and the Agent Bank. See “ <i>Summary of the Key Transaction Documents—Agency Agreement</i> ” and “ <i>The Agent Bank, the Principal Paying Agent, and the Registrar</i> ”.
Collection Account Bank	Lloyds Bank plc a public limited company incorporated under the laws of England and Wales with registered number 2065	25 Gresham Street London EC2V 7HN	N/A
Dematerialised Note Registrar	TSB Bank	Henry Duncan House 120 George Street Edinburgh EH2 4LH	Pursuant to the terms of the Agency Agreement the Dematerialised Note Registrar will keep a register of Noteholders which records the identity of each Noteholder and the number of Notes which each Noteholder owns (the Dematerialised Note Register). See “ <i>Summary of the Key Transaction Documents—Agency Agreement</i> ” and “ <i>The Dematerialised Note Registrar</i> ”.
Arranger	Merrill Lynch International and Merrill Lynch, Pierce, Fenner & Smith Incorporated (collectively, Bank of America Merrill Lynch)	2 King Edward Street London EC1A 1HQ One Bryant Park 11th Floor New York, New York 10036	The Subscription Agreement (the Subscription Agreement) to be entered into on or about the date hereof between, <i>inter alios</i> , the Issuer, the Seller, the Arranger and the Joint Lead Managers. See “ <i>Subscription and Sale</i> ” for further information.
Joint Lead Managers	Banco de Sabadell, S.A. (Sabadell) Bank of America Merrill Lynch Citigroup Global Markets Limited (Citigroup)	Plaça Sant Roc, 20 08201 Sabadell Barcelona Spain 2 King Edward Street London EC1A 1HQ One Bryant Park 11th Floor New York, New York 10036 Citigroup Centre Canada Square Canary Wharf London E14 5LB	The Subscription Agreement. See “ <i>Subscription and Sale</i> ” for further information.

Portfolio and Servicing

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

Sale of Portfolio

The primary source of funds available to the Issuer to pay interest and principal on the Notes will be the Revenue Receipts and Principal Receipts generated by the Loans in the Portfolio. Pursuant to the Mortgage Sale Agreement, the Seller will sell its interest in the Initial Portfolio of Loans (the **Initial Loans**) to the Issuer on the Closing Date and may on each Sale Date during the period from the Closing Date until (but excluding) the Revolving Period End Date (the **Revolving Period**) sell additional Loans comprising the relevant New Portfolio to the Issuer.

The sale by the Seller to the Issuer of each Initial Loan in the Initial Portfolio was, and of each relevant new Loan in the relevant New Portfolio which is secured by a mortgage (a **Mortgage**) over a Property located in England, Wales or Scotland will be, given effect by:

- (a) with respect to Loans secured by a Mortgage over a Property located in England or Wales, an equitable assignment; and
- (b) with respect to Loans secured by a Mortgage over a Property located in Scotland or where such Loans are otherwise governed by Scots law, a Scottish declaration of trust (a **Scottish Declaration of Trust** and, together with any other Scottish declarations of trust entered into pursuant to the Mortgage Sale Agreement, the **Scottish Declarations of Trust**).

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 equitable assignment and the beneficial interest in each such Scottish Declaration of Trust, as applicable. The terms **repurchase** and **repurchased** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to include the repurchase of the beneficial interest of the Issuer in respect of such Loans and their Related Security under the relevant Scottish Declaration of Trust.

Prior to the occurrence of a Perfection Event (which includes a Seller Insolvency Event and certain other events described in “—*Perfection Events*” and “*Summary of the Key Transaction Documents—Mortgage Sale Agreement—Title to the Mortgages, registration and notifications*”, notice of the sale of the Initial Portfolio and any New Portfolio will not be given to the relevant borrowers (the **Borrowers**) and the Issuer will not apply to the Land Registry to register or record its equitable or beneficial interest in the English Mortgages or take any steps to complete or perfect its title to the Scottish Mortgages. See also “*Risk Factors—Certain Regulatory Considerations—Seller to Initially Retain Legal Title to the Loans*”.

Relevant Dates

Business Day	a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.
Calculation Date	the date which occurs two Business Days prior to each Interest Payment Date.

Collection Period	each quarterly period commencing on and including the first day of January, April, July and October and ending on and including the next following Collection Period End Date except that the first Collection Period will commence on the Closing Date and end on and include the Collection Period End Date falling in 30 September 2016.
Collection Period End Date	the last day of the calendar quarter immediately preceding each Calculation Date.
Reference Date	29 February 2016.
Revolving Period End Date	the earliest to occur of (i) the Interest Payment Date falling in April 2021, and (ii) the occurrence of a Revolving Period Termination Event.
Sale Date	each relevant Business Day on which new Loans are sold to the Issuer.
Advance Date	the date on which a relevant Further Advance is advanced to the relevant Borrower by the Seller.
Switch Date	the date on which a Product Switch is made.

Features of Loans

The **Portfolio** will consist of the Loans, the Related Security and all monies derived therein from time to time comprising the Initial Portfolio sold to the Issuer on the Closing Date and any New Portfolios sold to the Issuer on a Sale Date from time to time during the Revolving Period. Statistical information with respect to the Loans is presented in this Prospectus in relation to a **Provisional Portfolio**. The Initial Portfolio will be randomly selected from the Provisional Portfolio on the Closing Date. The Seller believes that the information in this Prospectus with respect to the Provisional Portfolio is representative of the characteristics of the Loans comprising the Portfolio that will be randomly selected on the Closing Date, although the portfolio averages and numerical data relating to the distribution of the Loans may vary within a range of plus or minus 5 per cent. The aggregate outstanding Current Balance of the Loans sold to the Issuer on the Closing Date may, however, vary by more than plus or minus 5 per cent. from the aggregate outstanding Current Balance of the Loans in the Provisional Portfolio.

The term **Loans** when used in this Prospectus means the residential mortgage loans in the Initial Portfolio and in each New Portfolio together with, where the context so requires, each Further Advance (as defined in “*Summary of the Key Transaction Documents—Mortgage Sale Agreement—Further Advances and Product Switches*”) sold to the Issuer by the Seller after the Closing Date and any alteration to a Loan by the Seller pursuant to a Product Switch but excluding (for the avoidance of doubt) each Loan and its Related Security which is repurchased by the Seller pursuant to the Mortgage Sale Agreement or otherwise sold by the Issuer in accordance with the terms of the Transaction Documents and is no longer beneficially owned by the Issuer.

The term **Property** when used in this Prospectus means (in England and Wales) a freehold or leasehold property or (in Scotland) a heritable property or property held under a long lease, which is, in each case, subject to a Mortgage.

The term **English Loan** when used in this Prospectus means a Loan secured by a first ranking legal charge secured over a freehold or leasehold Property located in England or Wales (an **English Mortgage**).

The term **Scottish Loan** when used in this Prospectus means a Loan secured by a Scottish Mortgage (as defined below) or any Loan governed by Scottish law which is secured by a first ranking standard security over a Property located in Scotland (a **Scottish Mortgage**).

The term **Related Security** when used in this Prospectus means in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto acquired as part of any Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement.

The term **Current Balance** of a Loan when used in this Prospectus, means, on any date, the aggregate balance of the Loan at such date (but avoiding double counting) including:

- (i) the Initial Advance;
- (ii) any increase in the principal amount of a Loan due to any Further Advance;
- (iii) capitalised expenses;
- (iv) capitalised interest; and
- (v) all expenses, charges, fees, premium or payment due and owing by the Borrower which have not yet been capitalised (including Accrued Interest, arrears of interest, high loan-to-value fees, insurance premiums, booking fees and valuation fees),

in each case relating to such Loan *less* all prepayments, repayments or payments of any of the foregoing made on or prior to such date and, in relation to the Portfolio, the aggregate of the Current Balances of each Loan in the Portfolio.

As at the Closing Date, the Loans in the Provisional Portfolio each had an original repayment term of up to 40 years (subject to certain limited exceptions). No Loan will have a final repayment date beyond two years prior to the latest Final Legal Maturity Date for the Notes.

As at the Reference Date, the Provisional Portfolio consists of 69,057 Loans which form 30,304 Mortgage Accounts having an aggregate Current Balance of £3,754,095,432.42. A **Mortgage Account** refers to all Loans secured on the same Property and thereby forming a single mortgage account.

In relation to the Loans in the Provisional Portfolio, as at the Reference Date:

- the weighted average indexed loan-to-value ratio of the Loans was 60.37 per cent.;
- the weighted average seasoning of the Loans was 36.07 months; and
- the Loans are secured by Mortgages over properties situated in England, Wales and Scotland.

As at the Reference Date, the Loans in the Provisional Portfolio will comprise:

- (a) loans which are subject to variable rates of interest set by the Seller based on general interest rates and competitive forces in the UK mortgage market from time to time;

- (b) loans which are subject to a fixed rate of interest; and
- (c) loans which are subject to interest rates set at a margin above or below the Bank of England Base Rate from time to time.

See “*Description of the Loans*” for a full description of the Loans.

Further Advances

At any time prior to the redemption in whole of the Notes and subject to satisfaction of certain conditions, if a Borrower requests, the Seller may (but is not obliged to) make a Further Advance under the relevant Loan. The Seller will only make a Further Advance if making such Further Advance is consistent with the Seller’s Policy. The Seller or the Servicer (on behalf of the Seller) will be solely responsible for offering and documenting any Further Advance and, if a Further Advance is made, the Seller will be solely responsible for funding such Further Advance.

If a Further Advance is made by the Seller, the Further Advance will be transferred to the Issuer on the date that the relevant Further Advance is advanced to the relevant Borrower by the Seller (an **Advance Date**) (subject to a further Scottish Declaration of Trust being declared in respect of each Scottish Discretionary Further Advance on or prior to the Monthly Pool Date falling in the Monthly Period immediately following the relevant Advance Date) and the Issuer will pay the Seller an amount equal to the principal amount of the relevant Further Advance (the **Further Advance Purchase Price**) on the Monthly Pool Date falling in the Monthly Period immediately following the relevant Advance Date. Payment of the aggregate Further Advance Purchase Price due on any Monthly Pool Date will be made from amounts standing to the credit of the Class A3 Reserve Ledger and (once all amounts standing to the credit of the Class A3 Reserve Ledger have been used) the Principal Ledger (following (if required) drawing an amount under the Subordinated Note equal to any relevant Further Advance Purchase Price Shortfall Amount). If the Issuer is unable to fund the purchase of any Further Advance on a Monthly Pool Date (in whole or in part) from amounts standing to the credit of the Class A3 Reserve Ledger, the Principal Ledger and (if required) after drawing an amount under the Subordinated Note on or prior to that Monthly Pool Date equal to any relevant Further Advance Purchase Price Shortfall Amount, such shortfall amount shall be recorded by the Cash Manager to the debit of the Further Advance Purchase Price Ledger in accordance with the Cash Management Agreement. The payment of the relevant Further Advance Purchase Price Shortfall Amount shall therefore be deferred to the following Monthly Pool Date(s) and become payable on such date(s) until all Further Advance Purchase Price Shortfall Amounts have been paid by the Issuer to the Seller.

The Issuer will also apply Available Principal Receipts in accordance with item (a)(iv) of the Pre-Enforcement Principal Priority of Payments to eliminate (to the extent possible) remaining debit balances on the Further Advance Purchase Price Ledger on any Interest Payment Date.

If, on a Monthly Test Date, the Seller (or the Servicer on behalf of the Seller) determines that a Further Advance advanced to a Borrower is a Non-Eligible Further Advance, the Seller must offer to repurchase the relevant Loan and its Related Security from the Issuer (such repurchase to be completed on or prior to the Monthly Pool Date immediately following such Monthly Test Date), at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase.

Non-Eligible Further Advance means any Further Advance:

- (a) granted prior to the Step-Up Date, which when aggregated with the cumulative amount of all Further Advances granted to Borrowers since the Closing Date (excluding all Further Advances on Loans repurchased by the Seller since the Closing Date), will cause such cumulative amount to equal or exceed 2 per cent of the aggregate Current Balance of the Loans in the Portfolio as at the Closing Date; or
- (b) granted following the Step-Up Date.

See “*Summary of the Key Transaction Documents—Mortgage Sale Agreement—Further Advances and Product Switches*”.

Product Switches

At any time prior to the redemption in whole of the Notes and subject to satisfaction of certain conditions, if a Borrower requests, or the Seller (or the Servicer on behalf of the Seller) offers, a Product Switch under a Loan, the Seller (or the Servicer on behalf of the Seller) will be solely responsible for offering and documenting that Product Switch. The Seller may make a Product Switch if making such Product Switch is consistent with the Seller’s Policy.

Any Loan which has been subject to a Product Switch will remain in the Portfolio (subject to a further Scottish Declaration of Trust being declared in respect of each Scottish Loan subject to a Product Switch, if required, on or prior to the Monthly Pool Date falling in the Monthly Period immediately following the relevant Switch Date), provided that if the Seller (or the Servicer on behalf of the Seller) determines on a Monthly Test Date that a Product Switch made to a Borrower is a Non-Eligible Product Switch, then the relevant Loan and its Related Security must be repurchased by the Seller on any Business Day prior to the Monthly Pool Date immediately following such Monthly Test Date (following receipt by the Seller of a Loan Repurchase Notice) at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase.

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

- (i) agreed with a Borrower to control or manage arrears on the Loan;
- (ii) in the maturity date of the Loan unless the maturity date would be extended to a date later than two years before the Final Legal Maturity Date of the Rated Notes;
- (iii) imposed by statute;
- (iv) in the rate of interest payable (including a switch between interest-only payments and repayment); or
- (v) in the frequency with which the interest payable in respect of the Loan is charged,

provided that with respect to limb (iv) above:

- a. any variation in the rate of interest payable to another rate permitted or otherwise contemplated by the relevant Mortgage Terms (including to the reversionary rate of interest of the Seller) shall not be considered a Product Switch; and
- b. any variation in the rate of interest payable to another rate of interest not permitted or otherwise contemplated by the relevant Mortgage Terms shall be considered a Product Switch.

Non-Eligible Product Switch means each Loan in respect of which a Product Switch is granted:

- (i) pursuant to which the maturity date of that Loan, post-switch, falls on a date which is on or later than the date falling two years prior to the Final Legal Maturity Date of the Rated Notes;
- (ii) pursuant to which that Loan has been switched to an interest-only loan (except as part of a forbearance measure); or
- (iii) following the Step-Up Date.

See “*Summary of the Key Transaction Documents—Mortgage Sale Agreement—Further Advances and Product Switches*”.

Consideration

The Issuer will use the gross proceeds of the issue of the Notes to pay the Initial Consideration. The Initial Loans will be sold to the Issuer at a price equal to their Current Balance as at the close of business on the calendar day immediately preceding the Closing Date together with Deferred Consideration payable to the Seller from excess Available Revenue Receipts and Available Principal Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, the Pre-Enforcement Principal Priority of Payments or the Post-Enforcement Priority of Payments. See “*Use of Proceeds*”.

From time to time, the Issuer will use amounts standing to the credit of the Class A3 Reserve Ledger and (once all amounts standing to the credit of the Class A3 Reserve Ledger have been used), the Principal Ledger of the Issuer Transaction Account and (if required) draw an amount under the Subordinated Note to pay for New Portfolios (comprising new Loans, new Related Security and all amounts derived therefrom) purchased from the Seller on any Sale Dates during the Revolving Period. The Issuer will also apply Available Principal Receipts in accordance with item (a)(vi) of the Pre-Enforcement Principal Priority of Payments to eliminate (to the extent possible) remaining New Portfolio Purchase Price Shortfall Amounts on the New Portfolio Purchase Price Ledger on any Interest Payment Date as at that Interest Payment Date.

Representations and Warranties

The Issuer will have the benefit of the Loan Warranties given by the Seller:

- (i) as at the Closing Date in relation to the Loans and their Related Security in the Initial Portfolio;
- (ii) on each Sale Date in relation to the new Loans and their Related Security in any New Portfolio;
- (iii) on each Advance Date in relation to Loans subject to a Further Advance and their Related Security; and
- (iv) on each Switch Date in relation to Loans subject to a Product Switch and their Related Security,

including, in each case, warranties in relation to compliance with the lending criteria of the Seller (the **Lending Criteria**) as it applied at the date of origination of the Loans or as at the relevant Advance Date or Switch Date, as the case may be.

It should be noted that the Seller may vary the Lending Criteria from time to time in accordance with the standards of a reasonably prudent residential mortgage lender lending to borrowers in England, Wales or Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital (a **Reasonable Prudent Mortgage Lender**). The Rating Agencies will be notified of any amendment to the Loan Warranties.

Repurchase of the Loans and Related Security

The Seller will be required to repurchase any Loan (including any Loan subject to a Further Advance or Product Switch) sold to the Issuer pursuant to the Mortgage Sale Agreement if:

- any Loan Warranty made by the Seller in relation to that Loan or its Related Security is breached or proves to be untrue as at the Closing Date or, with respect to the New Portfolio, as at the relevant Sale Date, and that breach or untruth might have a material adverse effect on the value of the relevant Loan and has not been remedied within 20 Business Days of receipt of notice from the Issuer;
- following the sale of a New Portfolio to the Issuer, it is subsequently determined on the Monthly Test Date in the Monthly Period immediately after the relevant Sale Date that the Seller had not satisfied the relevant New Portfolio Conditions on the relevant Sale Date;
- the Issuer is unable to fund the purchase of a New Portfolio from funds standing to the credit of the New Portfolio Purchase Price Ledger (following the application of the Pre-Enforcement Principal Priority of Payments on an Interest Payment Date and any Subordinated Note Drawing and the corresponding Retention Note Drawing to meet the relevant New Portfolio Purchase Price Shortfall Amount as at that Interest Payment Date);
- the Servicer determines on a Monthly Test Date that there is a breach of any of the Loan Warranties pursuant to paragraph (iii) in “— *Representations and Warranties*” above with respect to any Further Advance purchased by the Issuer in the preceding Monthly Period;
- a Further Advance advanced to a Borrower is a Non-Eligible Further Advance;
- the Servicer determines on a Monthly Test Date that there is a breach of any of the Loan Warranties pursuant to paragraph (iv) in “— *Representations and Warranties*” above with respect to any Product Switch made in the preceding Monthly Period; or
- a Product Switch is made to a Borrower which is a Non-Eligible Product Switch.

In addition, the Seller may, but will not be required to, repurchase any Loan (including any Loan subject to a Further Advance or Product Switch) sold to the Issuer pursuant to the Mortgage Sale Agreement which is (i) not of a type described in Article 13 (*Level 2B securitisations*) in the European Commission adopted text of the Commission Delegated Regulation supplementing Regulation (EU) 575/2013 with regard to the liquidity coverage requirement for Credit Institutions of 10 October 2014 (or, if different, the equivalent provisions in the approved version of such Commission Delegated Regulation) (each a **Non-Compliant LCR Loan**), (ii) not of a type described in the European Central Bank’s guidelines on monetary policy instruments and procedures of the Eurosystem (ECB/2011/14) (each a **Non-Compliant ECB Loan**) and (iii) not of a type described in Solvency II (each a **Non-Compliant Solvency II Loan**).

Consideration for Repurchase

The amount payable by the Seller in respect of the repurchase of any Loan and its Related Security shall be equal to the aggregate of the Current Balance (excluding, if applicable, the amount of any Further Advance which has not yet been paid for by the Issuer) of such Loan calculated on the relevant repurchase date.

Perfection Events

The sale of Loans from the Seller to the Issuer will take effect in equity only; provided, that, the Issuer will be entitled to effect legal transfer of the Loans by making the required registrations and serving notice on the Borrower upon the occurrence of any of the following **Perfection Events**:

- (a) the Seller being required to perfect transfer of legal title to the Loans and their Related Security (i) by an order of a court of competent jurisdiction or (ii) by any regulatory authority of which the Seller is a member and with whose instructions the Seller is required to comply;
- (b) it becoming necessary by law to perfect legal title to the Loans and their Related Security;
- (c) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee;
- (d) the security under the Deed of Charge being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Note Trustee (on behalf of the Noteholders) so long as any Notes are outstanding or the other Secured Creditors if no Notes are then outstanding to take action to reduce that jeopardy; or
- (e) a Seller Insolvency Event.

Prior to the completion of the transfer of legal title to the relevant Loans and Related Security, the Issuer will hold only the equitable title to those Loans or, in relation to any Scottish loans and their Related Security, beneficial title to those Loans pursuant to the Scottish Declaration of Trust and will therefore be subject to certain risks as set out under “*Risk Factors—Certain Regulatory Considerations—Seller to Initially Retain Legal Title to the Loans*”.

Servicing of the Portfolio

Pursuant to the Servicing Agreement, the Servicer will agree to service the Loans and their Related Security on behalf of the Issuer (or, whilst the Loans are held under any Scottish Declarations of Trust, the Servicer will agree to service such Loans on behalf of the Seller in its capacity as trustee thereunder acting upon the instruction of the Issuer in its capacity as beneficiary thereunder) (such services, *inter alia*, the **Services**).

The Issuer will, on each Interest Payment Date, pay to the Servicer a servicing fee (inclusive of amounts in respect of VAT) (the **Servicing Fee**) totalling 0.10 per cent. per annum on the aggregate Current Balance of all Loans in the Portfolio as determined as at the close of business on the last day of the immediately preceding Interest Period (or, with respect to the first Interest Payment Date, the close of business on the calendar day prior to the Closing Date). In the event that the Servicer is replaced or succeeded by an entity in accordance with the terms of the Servicing Agreement, the Servicing Fee to be paid to such replacement or successor servicer will be such fee as is agreed between the Issuer, the Security Trustee and such replacement or successor servicer. The Servicing Fee will rank ahead of all payments on the Notes.

See “*Summary of the Key Transaction Documents—Servicing Agreement*” below.

Overview of the Terms and Conditions of the Notes

Please refer to the section entitled “*Terms and Conditions of the Notes*” (the **Conditions**) for further detail in respect of the terms and conditions of the Notes.

Only the Rated Notes are being listed under this prospectus. Information on the Subordinated Note and the Retention Note is included herein for completeness.

Full Capital Structure of the Notes

	Class A1a Notes	Class A1b Notes	Class A2 Notes	Class A3 Notes	Class B Notes	Class C Notes	Subordinated Note	Retention Note
Currency	EUR	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Initial Principal Amount	€150,000,000	£834,400,000	£450,000,000	£1,450,000,000	£79,600,000	£47,800,000	£207,000,000	£170,656,000
Note Credit Enhancement and Liquidity Support	Subordination of the Subordinated Note	Subordination of the Subordinated Note	Subordination of the Subordinated Note	Subordination of the Subordinated Note	Subordination of the Subordinated Note	Subordination of the Subordinated Note	Excess Available Revenue Receipts	Subordination of the Subordinated Note (with respect to certain payments on the Retention Note)
	Subordination of certain payments on the Retention Note	Subordination of certain payments on the Retention Note	Subordination of certain payments on the Retention Note	Subordination of certain payments on the Retention Note	Subordination of certain payments on the Retention Note	Subordination of certain payments on the Retention Note		Subordination of the Class C Notes (with respect to certain payments on the Retention Note)
	Subordination of the Class C Notes	Subordination of the Class C Notes	Subordination of the Class C Notes	Subordination of the Class C Notes	Subordination of the Class C Notes	The application in certain circumstances of Principal Receipts to provide for certain Revenue Deficiency in the Available Revenue Receipts (subject to certain Cumulative Default Triggers)		Subordination of the Class B Notes (with respect to certain payments on the Retention Note)
	Subordination of the Class B	Subordination of	Subordination of	Subordination of	Liquidity Reserve Fund, as funded by the proceeds	Excess Available Revenue		Liquidity Reserve Fund, as funded by the proceeds

Class A1a Notes	Class A1b Notes	Class A2 Notes	Class A3 Notes	Class B Notes	Class C Notes	Subordinated Note	Retention Note
Notes	the Class B Notes	the Class B Notes	the Class B Notes	of the Start-Up Loan on the Closing Date and as supplemented on each Interest Payment Date, as required in accordance with the Pre-Enforcement Revenue Priority of Payments (subject to certain Cumulative Default Triggers)	Receipts		of the Start-Up Loan on the Closing Date and as supplemented on each Interest Payment Date, as required in accordance with the Pre-Enforcement Revenue Priority of Payments (subject to certain Cumulative Default Triggers and with respect to certain payments on the Retention Note)
Liquidity Reserve Fund, as funded by the proceeds of the Start-Up Loan on the Closing Date and as supplemented on each Interest Payment Date, as required in accordance with the Pre-Enforcement Revenue Priority of Payments	Liquidity Reserve Fund, as funded by the proceeds of the Start-Up Loan on the Closing Date and as supplemented on each Interest Payment Date, as required in accordance with the Pre-Enforcement Revenue Priority of Payments	Liquidity Reserve Fund, as funded by the proceeds of the Start-Up Loan on the Closing Date and as supplemented on each Interest Payment Date, as required in accordance with the Pre-Enforcement Revenue Priority of Payments	Liquidity Reserve Fund, as funded by the proceeds of the Start-Up Loan on the Closing Date and as supplemented on each Interest Payment Date, as required in accordance with the Pre-Enforcement Revenue Priority of Payments	The application in certain circumstances of Principal Receipts to provide for certain Revenue Deficiency in the Available Revenue Receipts (subject to certain Cumulative Default Triggers)			The application in certain circumstances of Principal Receipts to provide for certain Revenue Deficiency in the Available Revenue Receipts (subject to certain Cumulative Default Triggers and with respect to certain payments on the Retention Note)
The application in certain circumstances	The application in certain circumstances of	The application in certain circumstances of	The application in certain circumstances of	Excess Available Revenue			Excess Available Revenue

	Class A1a Notes	Class A1b Notes	Class A2 Notes	Class A3 Notes	Class B Notes	Class C Notes	Subordinated Note	Retention Note
	of Principal Receipts to provide for certain Revenue Deficiency in the Available Revenue Receipts (subject to certain Cumulative Default Triggers)	Principal Receipts to provide for certain Revenue Deficiency in the Available Revenue Receipts (subject to certain Cumulative Default Triggers)	Principal Receipts to provide for certain Revenue Deficiency in the Available Revenue Receipts (subject to certain Cumulative Default Triggers)	Principal Receipts to provide for certain Revenue Deficiency in the Available Revenue Receipts (subject to certain Cumulative Default Triggers)	Receipts			Receipts
	Excess Available Revenue Receipts	Excess Available Revenue Receipts	Excess Available Revenue Receipts	Excess Available Revenue Receipts				
Issue Price	100 per cent.	100 per cent.	100 per cent.	100 per cent.	100 per cent.	100 per cent.	Not Applicable	Not Applicable
Interest Reference Rate	Three-Month EURIBOR (other than the first Interest Period, which will be determined by reference to a linear interpolation of Three-Month and Six-Month EURIBOR)	Three-Month Sterling LIBOR (other than the first Interest Period, which will be determined by reference to a linear interpolation of Three-Month and Six-Month Sterling LIBOR)	Three-Month Sterling LIBOR (other than the first Interest Period, which will be determined by reference to a linear interpolation of Three-Month and Six-Month Sterling LIBOR)	Three-Month Sterling LIBOR (other than the first Interest Period, which will be determined by reference to a linear interpolation of Three-Month and Six-Month Sterling LIBOR)	Three-Month Sterling LIBOR (other than the first Interest Period, which will be determined by reference to a linear interpolation of Three-Month and Six-Month Sterling LIBOR)	Three-Month Sterling LIBOR (other than the first Interest Period, which will be determined by reference to a linear interpolation of Three-Month and Six-Month Sterling LIBOR)	Three-Month Sterling LIBOR (other than the first Interest Period, which will be determined by reference to a linear interpolation of Three-Month and Six-Month Sterling LIBOR)	Three-Month Sterling LIBOR (other than the first Interest Period, which will be determined by reference to a linear interpolation of Three-Month and Six-Month Sterling LIBOR)
Relevant Margin	Prior to the Step-Up Date, 0.40 per cent. per annum (the Class A1a Margin) and from the Step-	Prior to the Step-Up Date, 0.77 per cent. per annum (the Class A1b Margin) and from the Step-Up Date, the Class A1b	Prior to the Step-Up Date, 0.79 per cent. per annum (the Class A2 Margin) and from the Step-Up Date, the Class A2	Prior to the Step-Up Date, 0.82 per cent. per annum (the Class A3 Margin) and from the Step-Up Date, the Class A3	Prior to the Step-Up Date, 1.80 per cent. per annum (the Class B Margin) and from the Step-Up Date, the Class B	Prior to the Step-Up Date, 2.50 per cent. per annum (the Class C Margin) and from the Step-Up Date, the Class C	0.00 per cent. per annum (the Subordinated Note Margin)	With respect to: (i) the Retention Tranche A1a Principal Amount, the spread payable by the Issuer under the

Class A1a Notes	Class A1b Notes	Class A2 Notes	Class A3 Notes	Class B Notes	Class C Notes	Subordinated Note	Retention Note
Up Date, the Class A1a Margin plus 0.80 per cent. per annum	Margin plus 1.54 per cent. per annum	Margin plus 1.58 per cent. per annum	Margin plus 1.64 per cent. per annum	Margin plus 2.80 per cent. per annum	Margin plus 3.50 per cent. per annum		Currency Swap, (ii) the Retention Tranche A1b Principal Amount, the Relevant Margin applicable to the Class A1b Notes; (iii) the Retention Tranche A2 Principal Amount, the Relevant Margin applicable to the Class A2 Notes; (iv) the Retention Tranche A3 Principal Amount, the Relevant Margin applicable to the Class A3 Notes; (v) the Retention Tranche B Principal Amount, the Relevant Margin applicable to the Class B Notes; (vi) the Retention Tranche C Principal Amount, the Relevant Margin applicable to the Class C Notes and (vii) the Retention Tranche SN Principal Amount, the Relevant Margin applicable to the Subordinated

	Class A1a Notes	Class A1b Notes	Class A2 Notes	Class A3 Notes	Class B Notes	Class C Notes	Subordinated Note	Retention Note
								Note
Step-Up Date	The Interest Payment Date falling in April 2021	The Interest Payment Date falling in April 2021	The Interest Payment Date falling in April 2021	The Interest Payment Date falling in April 2021	The Interest Payment Date falling in April 2021	The Interest Payment Date falling in April 2021	Not Applicable	Not Applicable
Final Legal Maturity Date	The Interest Payment Date falling in April 2063	The Interest Payment Date falling in April 2063	The Interest Payment Date falling in April 2063	The Interest Payment Date falling in April 2063	The Interest Payment Date falling in April 2063	The Interest Payment Date falling in April 2063	The Interest Payment Date falling in April 2063	The Interest Payment Date falling in April 2063
Interest Accrual Method	Actual/360	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365	Actual/365
Interest Determination Date	Two TARGET2 Business Days prior to the first day of the relevant Interest Period	The first day of the relevant Interest Period	The first day of the relevant Interest Period	The first day of the relevant Interest Period	The first day of the relevant Interest Period	The first day of the relevant Interest Period	The first day of the relevant Interest Period	The first day of the relevant Interest Period
Interest Payment Dates	Quarterly in arrear on the 17th day of January, April, July and October of each year	Quarterly in arrear on the 17th day of January, April, July and October of each year	Quarterly in arrear on the 17th day of January, April, July and October of each year	Quarterly in arrear on the 17th day of January, April, July and October of each year	Quarterly in arrear on the 17th day of January, April, July and October of each year	Quarterly in arrear on the 17th day of January, April, July and October of each year	Quarterly in arrear on the 17th day of January, April, July and October of each year	Quarterly in arrear on the 17th day of January, April, July and October of each year
First Interest Payment Date	17 October 2016	17 October 2016	17 October 2016	17 October 2016	17 October 2016	17 October 2016	17 October 2016	17 October 2016
Pre-Enforcement Redemption Profile	Scheduled Amortisation	Scheduled Amortisation	Scheduled Amortisation	Pass-through redemption	Pass-through redemption	Pass-through redemption	Pass-through redemption	With respect to (i) the Retention Tranche A1a Principal Amount, the Retention Tranche A1b Principal Amount and the Retention Tranche A2 Principal Amount, Scheduled Amortisation, and

	Class A1a Notes	Class A1b Notes	Class A2 Notes	Class A3 Notes	Class B Notes	Class C Notes	Subordinated Note	Retention Note
								(ii) the Retention Tranche A3 Principal Amount, the Retention Tranche B Principal Amount, the Retention Tranche C Principal Amount and the Retention Tranche SN Principal Amount, Pass-through redemption
Post-Enforcement Redemption Profile	Pass-through redemption	Pass-through redemption	Pass-through redemption	Pass-through redemption	Pass-through redemption	Pass-through redemption	Pass-through redemption	Pass-through redemption
Step-Up Call	The Step-Up Date and each Interest Payment Date thereafter	The Step-Up Date and each Interest Payment Date thereafter	The Step-Up Date and each Interest Payment Date thereafter	The Step-Up Date and each Interest Payment Date thereafter	The Step-Up Date and each Interest Payment Date thereafter	The Step-Up Date and each Interest Payment Date thereafter	The Step-Up Date and each Interest Payment Date thereafter	The Step-Up Date and each Interest Payment Date thereafter
Other Early Redemption in Full Event	See Conditions 7.3 (<i>Optional Redemption of the Rated Notes in Full</i>) and 7.4 (<i>Optional Redemption of the Rated Notes for Taxation or Other Reasons</i>)	See Conditions 7.3 (<i>Optional Redemption of the Rated Notes in Full</i>) and 7.4 (<i>Optional Redemption of the Rated Notes for Taxation or Other Reasons</i>)	See Conditions 7.3 (<i>Optional Redemption of the Rated Notes in Full</i>) and 7.4 (<i>Optional Redemption of the Rated Notes for Taxation or Other Reasons</i>)	See Conditions 7.3 (<i>Optional Redemption of the Rated Notes in Full</i>) and 7.4 (<i>Optional Redemption of the Rated Notes for Taxation or Other Reasons</i>)	See Conditions 7.3 (<i>Optional Redemption of the Rated Notes in Full</i>) and 7.4 (<i>Optional Redemption of the Rated Notes for Taxation or Other Reasons</i>)	See Conditions 7.3 (<i>Optional Redemption of the Rated Notes in Full</i>) and 7.4 (<i>Optional Redemption of the Rated Notes for Taxation or Other Reasons</i>)	See Conditions 7.3 (<i>Optional Redemption of the Rated Notes in Full</i>) and 7.4 (<i>Optional Redemption of the Rated Notes for Taxation or Other Reasons</i>)	See Conditions 7.3 (<i>Optional Redemption of the Rated Notes in Full</i>), 7.4 (<i>Optional Redemption of the Rated Notes for Taxation or Other Reasons</i>) and 7.5 (<i>Optional Redemption of the Retention Note</i>)
Form of Notes	Registered	Registered	Registered	Registered	Registered	Registered	De-materialised Registered	De-materialised Registered

	Class A1a Notes	Class A1b Notes	Class A2 Notes	Class A3 Notes	Class B Notes	Class C Notes	Subordinated Note	Retention Note
Application for Listing	London Stock Exchange	London Stock Exchange	London Stock Exchange	London Stock Exchange	London Stock Exchange	London Stock Exchange	The Subordinated Note will not be listed	The Retention Note will not be listed
	Application will be made to the UK Listing Authority to list the Rated Notes on the Official List maintained by the UK Listing Authority and to the London Stock Exchange to admit the Rated Notes to trading on the regulated market of the London Stock Exchange.							
ISIN	Rule 144A: XS1413355709	Rule 144A: XS1409655880	Rule 144A: XS1409668354	Rule 144A: XS1409674832	Rule 144A: XS1409694434	Rule 144A: XS1409710149	Not Applicable	Not Applicable
	Regulation S: XS1409635189	Regulation S: XS1409639686	Regulation S: XS1409667976	Regulation S: XS1409679807	Regulation S: XS1409685101	Regulation S: XS1409702047		
Common Code	Rule 144A: 141335570	Rule 144A: 140965588	Rule 144A: 140966835	Rule 144A: 140967483	Rule 144A: 140969443	Rule 144A: 140971014	Not Applicable	Not Applicable
	Regulation S: 140963518	Regulation S: 140963968	Regulation S: 140966797	Regulation S: 140967980	Regulation S: 140968510	Regulation S: 140970204		
Clearance Settlement	Rule 144A and Regulation S: Euroclear/ Clearstream, Luxembourg	Rule 144A and Regulation S: Euroclear/ Clearstream, Luxembourg	Rule 144A and Regulation S: Euroclear/ Clearstream, Luxembourg	Rule 144A and Regulation S: Euroclear/ Clearstream, Luxembourg	Rule 144A and Regulation S: Euroclear/ Clearstream, Luxembourg	Rule 144A and Regulation S: Euroclear/ Clearstream, Luxembourg	Not Applicable	Not Applicable
Minimum Denomination	€100,000 and integral multiples of €1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof
Selling Restriction	Rule 144A and Regulation S	Rule 144A and Regulation S	Rule 144A and Regulation S	Rule 144A and Regulation S	Rule 144A and Regulation S	Rule 144A and Regulation S	Regulation S	Regulation S
Joint Lead Managers	Bank of America Merrill Lynch, Citigroup and Sabadell	Bank of America Merrill Lynch, Citigroup and Sabadell	Bank of America Merrill Lynch, Citigroup and Sabadell	Retained by TSB	Retained by TSB	Retained by TSB	Retained by TSB	Retained by TSB

	Class A1a Notes	Class A1b Notes	Class A2 Notes	Class A3 Notes	Class B Notes	Class C Notes	Subordinated Note	Retention Note
Ratings (Moody's / Fitch)	Aaa (sf) / AAAsf	Aaa (sf) / AAAsf	Aaa (sf) / AAAsf	Aaa (sf) / AAAsf	Aa2 (sf) / AAsf	Aa3 (sf) / Asf	Not Rated	Not Rated

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 (as amended) (the **CRA Regulation**). As such each of the Rating Agencies is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the EU before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

**Eurosystem
Eligibility**

The Rated Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that such Notes are intended upon issue to be held by the Common Safekeeper in custody for Euroclear and Clearstream, Luxembourg and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Ranking and Form of the Notes

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

- Class A1a Asset-Backed Floating Rate Notes due 17 April 2063 (the **Class A1a Notes**);
- Class A1b Asset-Backed Floating Rate Notes due 17 April 2063 (the **Class A1b Notes**);
- Class A2 Asset-Backed Floating Rate Notes due 17 April 2063 (the **Class A2 Notes**);
- Class A3 Asset-Backed Floating Rate Notes due 17 April 2063 (the **Class A3 Notes** and, together with the Class A1a Notes, the Class A1b Notes and the Class A2 Notes, the **Class A Notes**);
- Class B Asset-Backed Floating Rate Notes due 17 April 2063 (the **Class B Notes**);
- Class C Asset-Backed Floating Rate Notes due 17 April 2063 (the **Class C Notes** and, together with the Class A Notes and the Class B Notes, the **Rated Notes**);
- Subordinated Note due 17 April 2063 (the **Subordinated Note**); and
- Retention Note due 17 April 2063 (the **Retention Note** and, together with the Rated Notes and the Subordinated Note, the **Notes** and the holders thereof, the **Noteholders**).

The Retention Note will be comprised of the following tranches (collectively, the **Retention Note Tranches**):

- tranche A1a corresponding to the Class A1a Notes (**Retention Tranche A1a**);
- tranche A1b corresponding to the Class A1b Notes (**Retention Tranche A1b**);
- tranche A2 corresponding to the Class A2 Notes (**Retention Tranche A2**);
- tranche A3 corresponding to the Class A3 Notes (**Retention Tranche A3** and, together with Retention Tranche A1a, Retention Tranche A1b and Retention Tranche A2, **Retention Tranche A**);
- tranche B corresponding to the Class B Notes (**Retention Tranche B**);
- tranche C corresponding to the Class C Notes (**Retention Tranche C** and together with Retention Tranche A and Retention Tranche B, the **Retention Note Amortising Tranches**);
- tranche SN corresponding to the Subordinated Notes (**Retention Tranche SN**);
- tranche SUL corresponding to the Start-Up Loan (**Retention Tranche SUL**); and
- tranche Deferred Consideration corresponding to Deferred Consideration (**Retention Tranche Deferred Consideration**).

Priority of Interest Payments: Payments of interest on:

- the Class A Notes and the portions of the Retention Note comprised by Retention Tranche A will at all times rank in priority to payments of interest on the Class B Notes, the Class C Notes, the Subordinated Note and the portions of the Retention Note comprised by Retention Tranche B, Retention Tranche C and Retention Tranche SN, in accordance with the Pre-Enforcement Priority of Payments;
- the Class B Notes and the portion of the Retention Note comprised by Retention Tranche B will at all times rank in priority to payments of interest on the Class C Notes, the Subordinated Note and the portions of the Retention Note comprised by Retention Tranche C and Retention Tranche SN, in accordance with the Pre-Enforcement Priority of Payments;
- the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C will at all times rank in priority to payments of interest on the Subordinated Note and the portion of the Retention Note comprised by Retention Tranche SN, in accordance with the Pre-Enforcement Priority of Payments; and
- the Class A1a Notes, the Class A1b Notes, the Class A2 Notes, the Class A3 Notes and the portions of the Retention Note comprised by Retention Tranche A will rank *pari passu* and *pro rata*.

Priority of Principal Payments: Payments of principal on:

- the Class A Notes and the portions of the Retention Note comprised by Retention Tranche A will rank at all times in priority to payments of principal on the Class B Notes, the Class C Notes, the Subordinated Note and the portions of the Retention Note comprised by Retention Tranche B, Retention Tranche C and Retention Tranche SN;
- the Class B Notes and the portion of the Retention Note comprised by Retention Tranche B will rank at all times in priority to payments of principal on the Class C Notes, the Subordinated Note and the portions of the Retention Note comprised by Retention Tranche C and Retention Tranche SN; and
- the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C will rank at all times in priority to payments of principal on the Subordinated Note and the portion of the Retention Note comprised by Retention Tranche SN,

in each case, in accordance with the relevant Priority of Payments.

During the Revolving Period but prior to the service of a Note Acceleration Notice, payments of principal on:

- the Class A1a Notes, the Class A1b Notes, the Class A2 Notes and the portion of the Retention Note comprised by Retention Tranche A1a, Retention Tranche A1b and Retention Tranche A2, as applicable, to reduce the Principal Amount Outstanding of the Class A1a Notes, the Class A1b Notes and the Class A2 Notes, the Retention Tranche A1a Principal Amount, the Retention Tranche A1b Principal Amount and the Retention Tranche A2 Principal Amount, as applicable, to the relevant Class A1a Target Amortisation Amount, the relevant Retention Tranche A1a Target Amortisation Amount, the relevant Class A1b Target Amortisation Amount, the relevant Retention

Tranche A1b Target Amortisation Amount, the relevant Class A2 Target Amortisation Amount and the relevant Retention Tranche A2 Target Amortisation Amount, respectively, will rank *pari passu* and *pro rata* and in priority to payments of principal on the Class A3 Notes and the portion of the Retention Note comprised by Retention Tranche A3; and

- the Class A3 Notes and the portion of the Retention Note comprised by Retention Tranche A3 will be repaid up to the Maximum Class A3 Amortisation Amount applicable to each Interest Payment Date only, and there shall be no repayment of principal on the Class B Notes, the Class C Notes, the Subordinated Note or the portions of the Retention Note comprised by Retention Tranche B, Retention Tranche C or Retention Tranche SN,

in each case, in accordance with the Pre-Enforcement Priority of Payments.

On and from the Revolving Period End Date but prior to the service of a Note Acceleration Notice, payments of principal on:

- the Class A1a Notes, the Class A1b Notes and the portions of the Retention Note comprised by Retention Tranche A1a and Retention Tranche A1b will rank *pari passu* and *pro rata* and in priority to payments of principal on the Class A2 Notes, the Class A3 Notes and the portions of the Retention Note comprised by Retention Tranche A2 and Retention Tranche A3; and
- the Class A2 Notes and the portion of the Retention Note comprised by Retention Tranche A2 will rank in priority to payments of principal on the Class A3 Notes and the portion of the Retention Note comprised by Retention Tranche A3,

in each case, in accordance with the Pre-Enforcement Priority of Payments.

Following the delivery of a Note Acceleration Notice, payments of principal on the Class A1a Notes, the Class A1b Notes, the Class A2 Notes, the Class A3 Notes and the portions of the Retention Note comprised by Retention Tranche A will rank *pari passu* and *pro rata* in accordance with the Post-Enforcement Priority of Payments.

Class A1a Target Amortisation Amount means, with respect to each Interest Payment Date, the target principal balance set forth beside such Interest Payment Date in the following table under the heading “Class A1a Target Principal Amount”:

<u>Interest Payment Date falling in</u>	<u>Class A1a Target Principal Amount (€)</u>	<u>Sterling Equivalent Class A1a Target Principal Amount (£)</u>
October 2016	135,051,076	104,056,854
January 2017	124,081,884	95,605,091
April 2017	113,237,356	87,249,383
July 2017	102,655,160	79,095,800
October 2017	92,295,062	71,113,345
January 2018	82,246,354	63,370,816
April 2018	72,529,275	55,883,807
July 2018	63,054,026	48,583,127
October 2018	53,606,215	41,303,589
January 2019	44,584,653	34,352,475
April 2019	35,769,814	27,560,642
July 2019	27,180,972	20,942,939
October 2019	18,703,989	14,411,423
January 2020	10,560,428	8,136,810
April 2020	2,623,259	2,021,221
July 2020	0	0
October 2020	0	0
January 2021	0	0
April 2021	0	0

Retention Tranche A1a Target Amortisation Amount means, with respect to each Interest Payment Date, the target principal balance set forth beside such Interest Payment Date in the following table under the heading “Retention Tranche A1a Target Principal Amount”:

<u>Interest Payment Date falling in</u>	<u>Retention Tranche A1a Target Principal Amount (£)</u>
October 2016	5,476,771
January 2017	5,031,934
April 2017	4,592,152
July 2017	4,163,009
October 2017	3,742,872
January 2018	3,335,364
April 2018	2,941,304
July 2018	2,557,051
October 2018	2,173,911
January 2019	1,808,056
April 2019	1,450,585
July 2019	1,102,279
October 2019	758,509
January 2020	428,261
April 2020	106,382
July 2020	0
October 2020	0
January 2021	0
April 2021	0

Class A1b Target Amortisation Amount means, with respect to each Interest Payment Date, the target principal balance set forth beside such Interest Payment Date in the following table under the heading “Class A1b Target Principal Amount”:

<u>Interest Payment Date falling in</u>	<u>Class A1b Target Principal Amount (£)</u>
October 2016	751,244,121
January 2017	690,226,158
April 2017	629,901,668
July 2017	571,036,434
October 2017	513,406,665
January 2018	457,509,052
April 2018	403,456,181
July 2018	350,748,529
October 2018	298,193,508
January 2019	248,009,561
April 2019	198,975,552
July 2019	151,198,685
October 2019	104,044,055
January 2020	58,744,139
April 2020	14,592,314
July 2020	0
October 2020	0
January 2021	0
April 2021	0

Retention Tranche A1b Target Amortisation Amount means, with respect to each Interest Payment Date, the target principal balance set forth beside such Interest Payment Date in the following table under the heading “Retention Tranche A1b Target Principal Amount”:

<u>Interest Payment Date falling in</u>	<u>Retention Tranche A1b Target Principal Amount (£)</u>
October 2016	39,539,354
January 2017	36,327,867
April 2017	33,152,878
July 2017	30,054,693
October 2017	27,021,533
January 2018	24,079,539
April 2018	21,234,638
July 2018	18,460,537
October 2018	15,694,470
January 2019	13,053,197
April 2019	10,472,448
July 2019	7,957,864
October 2019	5,476,029
January 2020	3,091,812
April 2020	768,020
July 2020	0
October 2020	0
January 2021	0
April 2021	0

Class A2 Target Amortisation Amount means, with respect to each Interest Payment Date, the target principal balance set forth beside such Interest Payment Date in the following table under the heading “Class A2 Target Principal Amount”:

<u>Interest Payment Date falling in</u>	<u>Class A2 Target Principal Amount (£)</u>
October 2016	423,297,106
January 2017	403,703,107
April 2017	384,331,795
July 2017	365,429,078
October 2017	346,923,091
January 2018	328,973,331
April 2018	311,615,953
July 2018	294,690,549
October 2018	277,814,157
January 2019	261,699,162
April 2019	245,953,433
July 2019	230,611,395
October 2019	215,469,170
January 2020	200,922,527
April 2020	186,744,558
July 2020	139,901,918
October 2020	77,986,995
January 2021	17,800,383
April 2021	0

Retention Tranche A2 Target Amortisation Amount means, with respect to each Interest Payment Date, the target principal balance set forth beside such Interest Payment Date in the following table under the heading “Retention Tranche A2 Target Principal Amount”:

<u>Interest Payment Date falling in</u>	<u>Retention Tranche A2 Target Principal Amount (£)</u>
October 2016	22,279,538
January 2017	21,248,240
April 2017	20,228,663
July 2017	19,233,750
October 2017	18,259,719
January 2018	17,314,963
April 2018	16,401,386
July 2018	15,510,546
October 2018	14,622,285
January 2019	13,774,099
April 2019	12,945,349
July 2019	12,137,846
October 2019	11,340,861
January 2020	10,575,222
April 2020	9,828,989
July 2020	7,363,504
October 2020	4,104,715
January 2021	936,893
April 2021	0

Pursuant to the Deed of Charge, the Notes will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to amounts due in respect of the Notes.

Maximum Class A3 Amortisation Amount means for any Interest Payment Date during the Revolving Period, the remaining amount under limb (a) of the definition of Available Principal Receipts available to the Issuer for application towards item (a)(vii) of the Pre-Enforcement Principal Priority of Payments after the payment in full of amounts due under items (a)(i) to (a)(vi) (inclusive) of the Pre-Enforcement Principal Priority of Payments (if any).

Security

The Issuer will enter into the Deed of Charge on the Closing Date with, *inter alios*, the Security Trustee pursuant to which the Issuer will grant security over all of its assets in favour of the Security Trustee, to secure its obligations to the Secured Creditors, including the Noteholders. See “*Summary of the Key Transaction Documents—Deed of Charge*” below.

The Notes will be secured by, *inter alia*, the following security (the **Security**):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer’s right, title, interest and benefit in and to the Transaction Documents;
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer’s interest in the English Loans, the English Mortgages and their other Related Security and other related rights comprised in the Portfolio;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer’s right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) an 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 trusts declared by the Seller over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declarations of Trust);
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer’s interest in the Bank Accounts maintained with the Issuer Account Bank and each Swap Collateral Account Bank and any other account of the Issuer, and any sums standing to the credit thereof;
- (f) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer’s interest in all Authorised Investments permitted to be made by the Issuer; and
- (g) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer’s property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not the subject of fixed charges as aforesaid).

See “*Summary of the Key Transaction Documents—Deed of Charge*” below.

Interest Provisions

The interest rate applicable to each Note, other than the Class A1a Notes, from time to time will be determined by reference to the London Interbank Offered Rate (**LIBOR**) for three-month Sterling deposits as displayed on Reuters Screen page LIBOR01 (**Three-Month Sterling LIBOR**) (other than the first Interest Period, which will be determined by reference to a linear interpolation of Three-Month and Six-Month Sterling LIBOR) *plus*, in each case, a margin which may differ for each Class of Notes. Three-Month Sterling LIBOR will be determined on the Interest Determination Date.

The interest applicable to the Class A1a Notes, from time to time will be determined by reference to the Euro Interbank Offered Rate (**EURIBOR**) for three-month Euro deposits as displayed on Reuters Screen page EURIBOR01 (**Three-Month EURIBOR**) (other than the first Interest Period, which will be determined by reference to a linear interpolation of Three-Month and Six-Month EURIBOR) *plus*, in each case, the margin for the Class A1a Notes set out on the cover to this Prospectus. Three-Month EURIBOR will be determined on the relevant Interest Determination Date.

The Relevant Margin applicable to each Class of Notes, and the Interest Periods for which such Relevant Margin applies, will be as set out on the cover and in “—*Key Characteristics of the Notes*” above. In addition, the Relevant Margin applicable to the Rated Notes may increase on the Step-Up Date as set forth on the cover and in “—*Key Characteristics of the Notes*” above.

Interest is payable in respect of the Notes (other than the Class A1a Notes) in Sterling. Interest is payable in respect of the Class A1a Notes in Euros. In respect of each class of Notes, interest is payable quarterly in arrear on the 17th day of January, April, July and October, in each year, or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an **Interest Payment Date**). Accrued interest will also be paid on the date of any optional redemption in respect of such Notes. The first Interest Payment Date will be 17 October 2016.

An **Interest Period** in relation to the Notes is the period from (and including) an Interest Payment Date (except in the case of the first Interest Period, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date).

An **Interest Determination Date** in relation to (i) the Notes (other than the Class A1a Notes) means the first day of the relevant Interest Period and (ii) the Class A1a Notes means two TARGET2 Business Days prior to the first day of the relevant Interest Period.

TARGET2 Business Day has the meaning given to it in Condition 5.3 (*Rate of Interest*).

Interest Deferral

Interest due and payable on the Class A Notes, the Class B Notes and the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B outstanding will not be deferred. Failure to pay interest on the Class A Notes, the Class B Notes and the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B within any applicable grace period in accordance with the relevant Conditions shall constitute a Senior Note Event of Default under the applicable Class of Notes which may result in the Note Trustee serving a Note Acceleration Notice on the Issuer and directing the Security Trustee to enforce the Security.

Subject as set out below, interest due and payable on the Class C Notes, the Subordinated Note and the portions of the Retention Note comprised by Retention Tranche C and Retention Tranche SN may be deferred in accordance with Condition 16 (*Subordination by Deferral*).

Upon payment in full of the Class A Notes, the Class B Notes and the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B, interest due and payable on the Class C Notes or the portion of the Retention Note comprised by Retention Tranche C outstanding will not be deferred. In this event, failure to pay interest on the Class C Notes or the portion of the Retention Note comprised by Retention Tranche C within any applicable grace period in accordance with the relevant Conditions shall constitute a Senior Note Event of Default under the Class C Notes or the Retention Note (as applicable) which may result in the Note Trustee serving a Note Acceleration Notice on the Issuer and directing the Security Trustee to enforce the Security.

Subordinated Note

The Issuer will issue the Subordinated Note on the Closing Date with an initial Principal Amount Outstanding of £207,000,000.

Increases in the Principal Amount Outstanding of the Subordinated Note will be funded by the Subordinated Noteholder at the request of the Cash Manager (on behalf of the Issuer) (with notice to the Note Trustee). The Subordinated Noteholder may in its sole discretion agree to such a request. The proceeds of a drawing under the Subordinated Note (a **Subordinated Note Drawing**) shall be credited to the Subordinated Note Ledger and shall be used by the Issuer (or the Cash Manager on the Issuer's behalf) to:

- (a) supplement the Further Advance Purchase Price Ledger to meet any Further Advance Purchase Price Shortfall Amounts;
- (b) supplement the New Portfolio Purchase Price Ledger to meet any New Portfolio Purchase Price Shortfall Amounts; or
- (c) to meet any Class A1a Shortfall Amounts, Retention Tranche A1a Shortfall Amounts, Class A1b Shortfall Amounts, Retention Tranche A1b Shortfall Amounts, Class A2 Shortfall Amounts or Retention Tranche A2 Shortfall Amounts on any Interest Payment Date.

See "*Summary of the Key Transaction Documents—Trust Deed*" for more information.

Retention Note

The Issuer will issue the Retention Note on the Closing Date with an initial Principal Amount Outstanding of £170,656,000 which will be comprised of the following initial principal amounts:

- £6,083,000 corresponding to Retention Tranche A1a,
- £43,916,000 corresponding to Retention Tranche A1b,
- £23,685,000 corresponding to Retention Tranche A2,
- £76,316,000 corresponding to Retention Tranche A3,
- £4,190,000 corresponding to Retention Tranche B,
- £2,516,000 corresponding to Retention Tranche C,
- £10,895,000 corresponding to Retention Tranche SN, and
- £3,055,000 corresponding to Retention Tranche SUL.

The Principal Amount Outstanding of the portion of the Retention Note comprised by the Retention Note Amortising Tranches will not increase following the Closing Date.

The Principal Amount Outstanding of the portion of the Retention Note comprised by Retention Tranche SN may increase if a Subordinated Note Drawing is made as described under “—*Subordinated Note*” above. Such increase in the Principal Amount Outstanding of the portion of the Retention Note comprised by Retention Tranche SN will be equal to at least 5 per cent. of the amount set out in Condition 17.

The proceeds of a drawing under the portion of the Retention Note comprised by Retention Tranche SN (a **Retention Note Drawing**) shall be credited to the Subordinated Note Ledger and shall form part of the related Subordinated Note Drawing.

The Principal Amount Outstanding of the portion of the Retention Note comprised by Retention Tranche SUL may increase if a Start-Up Loan Drawing is made as described under “—*Start-Up Loan*” below. Such increase in the Principal Amount Outstanding of the portion of the Retention Note comprised by Retention Tranche SUL will be equal to at least 5 per cent. of the amount of the related Start-Up Loan Drawing.

The proceeds of a Retention Note Drawing under the portion of the Retention Note comprised by Retention Tranche SUL shall be credited to the Start-Up Loan Ledger and shall form part of the related Start-Up Loan Drawing.

The Retention Note Holder will also be entitled to receive amounts payable to the Seller as Deferred Consideration on each Interest Payment Date in accordance with the relevant Priority of Payments under the portion of the Retention Note comprised by Retention Tranche Deferred Consideration. On each Interest Payment Date, the portion of the Retention Note comprised by Retention Tranche Deferred Consideration will receive an amount equal to the product of the Retention Tranche Deferred Consideration Payment Percentage and all amounts available as Deferred Consideration on such Interest Payment Date in accordance with the applicable Priority of Payments. The **Retention Tranche Deferred Consideration Payment Percentage** will be the aggregate Principal Amount Outstanding of the Retention Note as a percentage of the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes and the Subordinated Note and the outstanding principal amount of the Start-Up Loan.

See “*Summary of the Key Transaction Documents—Trust Deed*” for more information.

Withholding Tax

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding or deduction for or on account of any taxes which is required by law and none of the Issuer, any Paying Agent or any other person will be obliged to pay additional amounts to Noteholders in respect of any such withholding or deduction.

Mandatory Redemption

The Notes are subject to the following optional or mandatory redemption events:

- (a) each Class of Notes shall be redeemed at their then Principal Amount Outstanding together with all accrued interest on the Final Legal Maturity Date in respect of such Class of Notes; and
- (b) on each Interest Payment Date prior to the occurrence of the Revolving Period End Date, the Issuer shall repay principal in respect of the Class A1a Notes, the Class A1b Notes, the Class A2 Notes, the Class A3 Notes and the portions of the Retention Note comprised by Retention Tranche A by applying the Available Principal Receipts available to it on such Interest Payment Date in accordance with and subject to paragraph (a) of the Pre-Enforcement Principal Priority of

Payments, provided that in respect of any payment of principal to be made with respect to the Class A1a Notes, the Class A1b Notes, the Class A2 Notes and the portions of the Retention Note comprised by Retention Tranche A1a, Retention Tranche A1b and Retention Tranche A2, the Issuer shall pay an amount equal to the lesser of:

- (i) the aggregate of:
 - (1) the amount required to reduce the Principal Amount Outstanding of the Class A1a Notes to the Class A1a Target Amortisation Amount for that Interest Payment Date;
 - (2) the amount required to reduce the Principal Amount Outstanding of the portion of the Retention Note comprised by Retention Tranche A1a to the Retention Tranche A1a Target Amortisation Amount for that Interest Payment Date;
 - (3) the amount required to reduce the Principal Amount Outstanding of the Class A1b Notes to the Class A1b Target Amortisation Amount for that Interest Payment Date;
 - (4) the amount required to reduce the Principal Amount Outstanding of the portion of the Retention Note comprised by Retention Tranche A1b to the Retention Tranche A1b Target Amortisation Amount for that Interest Payment Date;
 - (5) the amount required to reduce the Principal Amount Outstanding of the Class A2 Notes to the Class A2 Target Amortisation Amount for that Interest Payment Date; and
 - (6) the amount required to reduce the Principal Amount Outstanding of the portion of the Retention Note comprised by Retention Tranche A2 to the Retention Tranche A2 Target Amortisation Amount for that Interest Payment Date; and
- (ii) the amount of such Available Principal Receipts remaining to be applied under the Pre-Enforcement Principal Priority of Payments after payment of paragraphs (a)(i) to (a)(iv) (inclusive) thereunder.

Prior to the occurrence of the Revolving Period End Date, there shall be no repayment of principal on the Class B Notes, the Class C Notes, the Subordinated Note or the portions of the Retention Note comprised by Retention Tranche B, Retention Tranche C and Retention Tranche SN.

On each Interest Payment Date after the Revolving Period End Date and prior to the delivery of a Note Acceleration Notice, the Issuer is required to apply an amount equal to the Available Principal Receipts which is available for such purpose in accordance with the Pre-Enforcement Principal Priority of Payments in and towards redemption of the Notes.

Optional Redemption for Tax or Other Reasons

Subject to the Conditions, if by reason of a change in tax law affecting the Notes which becomes effective on or after the Closing Date, the Issuer or the Paying Agents would be required (on the next Interest Payment Date) to make a deduction or withholding for or on account of tax from any payment in respect of the Notes, in accordance with Condition 7.4 (*Optional Redemption of the Rated Notes for Taxation or Other Reasons*), the Issuer shall take reasonable measures available to it to avoid such deduction or withholding for or on account of tax from any payment in respect of the Notes.

If the Issuer satisfies the Note Trustee that such obligation to deduct or withhold from any payment of principal or interest or any other amount under such Notes cannot be avoided by the Issuer taking reasonable measures available to it then the Issuer may, on any Interest Payment Date and having given not less than 30 days' notice (or such shorter period as the Controlling Class may agree in its sole discretion) in accordance with Condition 7.4 (*Optional Redemption of the Rated Notes for Taxation or Other Reasons*) of the Notes redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with any accrued interest thereon. See Condition 7.4 (*Optional Redemption of the Rated Notes for Taxation or Other Reasons*).

Redemption of Rated Notes at the option of the Issuer

The Issuer may, at its option, redeem the Rated Notes and the portions of the Retention Note comprising the Retention Note Amortising Tranches in whole or in part on (A) the Interest Payment Date falling on April 2021 (the **Step-Up Date**) or any Interest Payment Date thereafter or (B) any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Rated Notes and the portions of the Retention Note comprising the Retention Note Amortising Tranches is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes and the portions of the Retention Note comprising the Retention Note Amortising Tranches on the Closing Date (the **Optional Redemption Date**) subject to the Issuer (or the Cash Manager on its behalf) providing notice in writing to the Noteholders, the Note Trustee, the Cash Manager, the Currency Swap Provider and the Interest Rate Swap Provider not more than 30 nor less than 10 days prior to the Optional Redemption Date on which such optional repayment is to occur (which notice shall be irrevocable and shall oblige the Issuer to make a repayment on such Optional Redemption Date in the amount specified in such notice plus accrued interest to that date). Such Optional Redemption Repayment Amount shall be paid directly to, *inter alios*, the Noteholders on the relevant date of redemption and not in accordance with the Priorities of Payments. See Condition 7.3 (*Optional Redemption of the Rated Notes in Full*).

Controlling Class

The **Controlling Class** means the Class A Notes so long as any Class A Notes are outstanding (with the holders of the Class A1a Notes, the Class A1b Notes, the Class A2 Notes and the Class A3 Notes acting or voting together as a single Class of Noteholders except as otherwise provided in the Conditions), after the Class A Notes have been repaid in full, the Class B Notes then outstanding, after the Class B Notes have been repaid in full, the Class C Notes then outstanding and, after the Class C Notes have been repaid in full, the Subordinated Note.

For the purposes of determining the Controlling Class, the Retention Noteholder shall be deemed to be a Noteholder of each Class of Notes based on the Principal Amount Outstanding of the portion of the Retention Note comprised by the relevant Retention Note Tranche corresponding to such Class of Notes; provided that, for certain purposes set out in Condition 2.1, those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller and any Subsidiary of the Seller, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Seller and any Subsidiary thereof (the **Relevant Persons**) where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons as set out in Condition 2.1.

Start-Up Loan

The Issuer will enter into the Start-Up Loan Agreement on the Closing Date with the Start-Up Loan Provider, pursuant to which the Start-Up Loan Provider will advance a loan (the **Start-Up Loan**) to the Issuer on the Closing Date (a) to pay for certain of the Issuer's initial fees and expenses incurred in connection with the issue of the Notes and (b) to establish the Liquidity Reserve Fund in an amount equal to the Initial Liquidity Reserve Fund Required Amount.

The **Initial Liquidity Reserve Fund Required Amount** means an amount equal to £58,591,500 (being an amount equal to 1.9 per cent. of the Sterling equivalent of the Principal Amount Outstanding of the Class A Notes, the Class B Notes and the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B as at the Closing Date).

Following the Closing Date, the Cash Manager (on behalf of the Issuer) may deliver to the Start-Up Loan Provider a further drawdown notice (the **Start-Up Loan Post Closing Drawdown Notice**) requesting the drawing of a further advance under the Start-Up Loan, of such further amount (together with a corresponding Retention Note Drawing) as the Cash Manager determines to be necessary to ensure that the Liquidity Reserve Fund is funded up to the Liquidity Reserve Fund Required Amount. The Start-Up Loan Provider may also provide an additional advance under the start-up loan upon request to supplement Available Revenue Receipts to be applied under the Pre-Enforcement Revenue Priority of Payments on an Interest Payment Date.

The **Liquidity Reserve Fund Required Amount** means the lesser of (i) £58,591,500, or (ii) 3.8 per cent. of the Sterling equivalent of the Principal Amount Outstanding of the Class A Notes, the Class B Notes and the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B or (following the full and final redemption and cancellation of the Class A Notes and the Class B Notes and the payment in full of the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B) zero.

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. See "*Weighted Average Lives of the Notes*".

Senior Note Event of Default

Upon the occurrence of any of the events set out in Condition 10.1 (*Class A Notes*), the Note Trustee at its absolute discretion may, or if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Controlling Class then outstanding or if so directed by an Extraordinary Resolution of the Controlling Class shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a **Note Acceleration Notice**) to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

Subordinated Note Event of Default

Upon the occurrence of any of the events set out in Condition 10.4 (*Subordinated Note*) the Note Trustee if so directed in writing by the sole Subordinated Noteholder shall (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction), give notice to the Issuer that the Subordinated Note is immediately due and repayable at its Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed. A Subordinated Note Event of Default shall not occur for so long as any Rated Notes remain outstanding.

Event of Default

Means a Senior Note Event of Default or a Subordinated Note Event of Default, as applicable.

Enforcement	<p>The Security Trustee shall, subject to the terms of the Deed of Charge institute such proceedings as it may be instructed by the Note Trustee, acting on the written instructions of the Controlling Class (or, following the redemption in full of the Rated Notes, the Subordinated Noteholder) to enforce its rights under the Deed of Charge in respect of the Notes and under the other Transaction Documents, but it shall not be bound to do so unless it shall have been indemnified and/or pre-funded and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.</p> <p>Liability and Liabilities means, in respect of any person, any loss, damage, cost, charge, award, claim, demand, expense, judgment, action, proceeding or other liability including, but without limitation, legal costs and expenses properly incurred (including, in each case, irrecoverable VAT in respect thereof).</p>
Enforcement Event	<p>The service of a Note Acceleration Notice by the Note Trustee (which has not been revoked) on the Issuer (or the Cash Manager on its behalf).</p>
Limited Recourse	<p>Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders and other Secured Creditors are limited in recourse to the property, assets and undertakings of the Issuer which are the subject of any security created under the Deed of Charge (the Charged Assets). If:</p> <ul style="list-style-type: none"> (i) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash; (ii) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and (iii) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any) and interest) and other Secured Obligations, <p>then the Noteholders and other Secured Creditors shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any) and/or interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.</p>
Governing Law	<p>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).</p>

Rights of Noteholders and Relationship with other Secured Creditors

Please refer to the section entitled “*Terms and Conditions of the Notes*” for further detail in respect of the rights of Noteholders, conditions for exercising such rights and Noteholders’ relationship with other Secured Creditors.

Prior to an Event of Default At any time, Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Notes of any Class then outstanding are entitled to request that the Note Trustee (subject to being indemnified and/or prefunded and/or secured to its satisfaction) convene a Noteholders’ meeting or participate in a Noteholders’ meeting convened by the Issuer or the Note Trustee to consider any matter affecting their interests (as set out in “—*Noteholders’ Meetings Provisions*” below).

However, so long as no Event of Default has occurred and is continuing, the Noteholders are not entitled to instruct or direct the Issuer to take any actions, either directly or through the Note Trustee, without consent of the Issuer and, if applicable, certain other Transaction Parties, unless the Issuer has an obligation to take such actions under the relevant Transaction Documents.

Following an Event of Default Following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25 per cent. of the Principal Amount Outstanding of the Controlling Class or if they pass an Extraordinary Resolution, direct the Note Trustee (subject to being indemnified and/or secured and/or prefunded to its satisfaction) to give a Note Acceleration Notice to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding.

Noteholders’ Meeting Provisions	<i>Notice period:</i>	21 clear days for an initial meeting	10 clear days for an adjourned meeting
	<i>Quorum:</i>	For an initial meeting, 25 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding for all Ordinary Resolutions; 50 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes for an Extraordinary Resolution (other than a Basic Terms Modification, which requires 75 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding)	Any percentage holding for an adjourned meeting (other than a Basic Terms Modification, which requires 25 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding)
	<i>Required Majority:</i>	For initial meetings, 50 per cent. of votes cast for matters requiring Ordinary Resolution and 75 per cent. of votes cast for matters requiring Extraordinary Resolution (including a Basic Terms Modification)	For adjourned meetings, 50 per cent. of votes cast for matters requiring Ordinary Resolution and 75 per cent. of votes cast for matters requiring Extraordinary Resolution (including a Basic Terms Modification)

Written Resolution: 75 per cent. of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding. A Written Resolution has the same effect as an Extraordinary Resolution.

Extraordinary Resolution means:

- (a) a resolution passed at a meeting of the relevant Noteholders duly convened and held in accordance with the Trust Deed and the Conditions by a majority consisting of not less than three-quarters of the votes cast; or
- (b) (i) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of any Class of the Notes then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class or (ii) where the Notes are held on behalf of a clearing system or clearing systems, approval of a resolution given by way of electronic consents communicated through the electronic communication systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters in aggregate Principal Amount Outstanding of the Notes then outstanding.

For the purposes of any Extraordinary Resolution, the Retention Noteholder shall be deemed to be a Noteholder of each Class of Notes based on the Principal Amount Outstanding of the portion of the Retention Note comprised by the relevant Retention Note Tranche corresponding to such Class of Notes.

Ordinary Resolution means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Conditions by a simple majority of the votes cast;
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than a simple majority in aggregate Principal Amount Outstanding of the relevant Class or Classes 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; or
- (c) a resolution in writing signed by the Subordinated Noteholder.

For the purposes of any Ordinary Resolution, the Retention Noteholder shall be deemed to be a Noteholder of each Class of Notes based on the Principal Amount Outstanding of the portion of the Retention Note comprised by the relevant Retention Note Tranche corresponding to such Class of Notes.

**Matters Requiring
Extraordinary Resolution**

Matters requiring an Extraordinary Resolution include:

- (a) to approve any Basic Terms Modification;
- (b) to approve the substitution of any person for the Issuer as principal obligor under the Notes;
- (c) to approve or assent to any modification of the provisions contained in the Notes, the Conditions or the Trust Deed or any other Transaction Document;

- (d) to sanction any abrogation, modification, compromise or arrangement in respect of the rights of the Note Trustee, the Security Trustee, any Appointee, the Noteholders, the Issuer or any other party to any Transaction Document against any other or others of them or against any of their property whether such rights arise under the Trust Deed, any other Transaction Document or otherwise;
- (e) to sanction any scheme or proposal for the exchange, sale, conversion or cancellation of the Notes in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash;
- (f) to authorise the Note Trustee, the Security Trustee and/or any Appointee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;
- (g) to approve of a person to be appointed a trustee and power to remove any trustee or trustees for the time being under the Trust Deed subject to and in accordance with Clauses 28 (New Trustee) and 31 (Note Trustee's Retirement and Removal) of the Trust Deed;
- (h) to waive any breach or authorise any proposed breach by the Issuer of its obligations under the Notes or any Transaction Document or any act or omission which might otherwise constitute an Event of Default under the Notes;
- (i) to remove the Note Trustee and/or the Security Trustee;
- (j) to approve the appointment of a new Note Trustee and/or Security Trustee;
- (k) to authorise the Note Trustee, the Security Trustee or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (l) to discharge or exonerate the Note Trustee, the Security Trustee 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;
- (m) to authorise the Note Trustee to consent to a transfer of the Subordinated Note;
- (n) to give any other authorisation or approval which under the Trust Deed or the Notes or any other Transaction Document is required to be given by Extraordinary Resolution; and
- (o) to appoint any persons as a committee to represent the interests of the Noteholders and to convey upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

See Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) in the Conditions for more information.

Basic Terms Modification

Each of the following matters shall only be capable of being effected after having been approved by Extraordinary Resolution, namely to:

- (a) sanction a modification of the date of payment of principal or interest in respect of the Notes;
- (b) sanction a reduction of the amount of principal payable, the rate of interest, any fee or margin due in respect of the Notes;
- (c) sanction a modification of the method of calculating the amount payable in respect of the Notes on final redemption or Final Legal Maturity Date;
- (d) release or substitute the Security or any part thereof except in accordance with the Transaction Documents;
- (e) except where provided for in the Transaction Documents, to sanction any exchange, conversion or substitution of the Notes;
- (f) alter the currency in which payments under the Notes are to be made;
- (g) alter the Priorities of Payments in relation to the Notes;
- (h) alter the quorum required at any meeting of the Noteholders or the majority required to pass an Extraordinary Resolution; or
- (i) alter any of the above provisions,

(each a **Basic Terms Modification**).

Relationship between Classes of Noteholders

A Basic Terms Modification requires an Extraordinary Resolution of the relevant affected Class or Classes of Notes.

If there is a conflict (in the opinion of the Note Trustee) between the interests of the holders of different Classes of Notes, the Note Trustee is obliged to give priority to the interests of the Class A Noteholders until the Class A Notes are redeemed in full, then to the Class B Noteholders until the Class B Notes are redeemed in full, then to the Class C Noteholders until the Class C Notes are redeemed in full, then to the Subordinated Noteholder until the Subordinated Note is redeemed in full.

Relationship between Noteholders and other Secured Creditors

So long as the Notes are outstanding, the Security Trustee will have regard solely to the interests of the Noteholders and shall not have regard to the interests of any other Secured Creditor.

Provision of Information to Noteholders

For so long as the Notes remain outstanding, the Cash Manager on behalf of the Issuer will publish the monthly investor report (the **Monthly Investor Report**) and a quarterly loan level data report using the Bank of England Loan Level Data Reporting Template (the **Quarterly Report**) detailing, *inter alia*, certain loan data in relation to the Portfolio. The Issuer shall make available or procure on demand, from the Closing Date until the date the last Note is redeemed in full, a cash flow model (the **Cash Flow Model**) to investors. Each Monthly Investor Report, Quarterly Report and a URL link to the Cash Flow Model will be published on, or be accessible from, the TSB Bank website at www.tsb.co.uk/investors/debt-investors. The website and the contents thereof do not form part of this Prospectus.

Communication with Noteholders

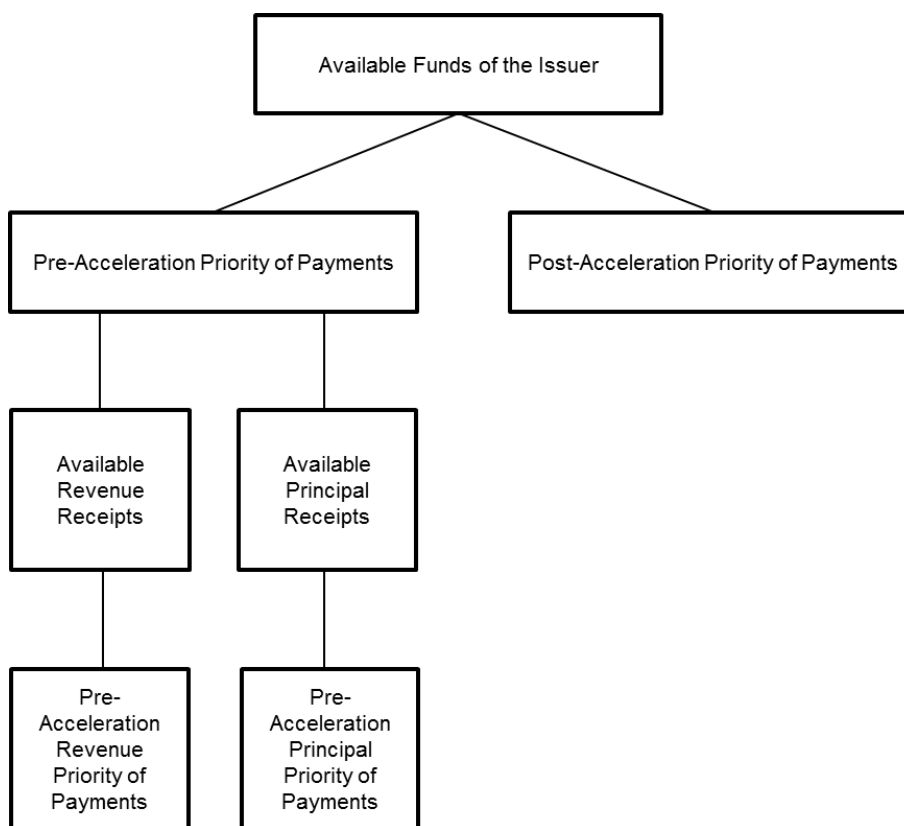
Other than the Monthly Investor Reports and the Quarterly Reports referenced above, any notice to be given by the Issuer or the Note Trustee to Noteholders shall be validly given if such notice, for so long as the Notes are held in the Clearing Systems, is delivered to the relevant Clearing System for communication by it to Noteholders; or for so long as the Notes are listed on a recognised stock exchange, is delivered in accordance with the notice requirements of that exchange. Any such notice shall be deemed to have been given to the Noteholders on the same day that such notice was delivered to the applicable Clearing System.

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

Notices to the Subordinated Noteholder and the Retention Noteholder will be sent to it by the Issuer to the fax number or email address notified to the Issuer from time to time in writing.

See Condition 15 (*Notice to Noteholders*) in the Conditions for more detail.

Credit Structure and Cashflow



Please refer to section entitled “*Key Structural Features*” for further detail in respect of the credit structure and cash flow of the transaction.

Available Funds of the Issuer

The Issuer will have Available Revenue Receipts and Available Principal Receipts for the purposes of making interest and principal payments under the Notes and the other Transaction Documents.

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

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;
- (b) interest payable to the Issuer on the Bank Accounts (other than the Swap Collateral Accounts, in respect of which any interest payable to the Issuer shall constitute Swap Collateral) and income from any Authorised Investments, in each case, during the immediately preceding Collection Period, which have been received by the Issuer;
- (c) amounts received by the Issuer under the Swap Agreements (other than (i) any early termination amount received by the Issuer under a Swap Agreement which is to be applied in acquiring a replacement swap, (ii) Excess Swap Collateral or Swap Collateral (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the relevant Swap Agreement, to reduce the amount that would otherwise be payable

by the Interest Rate Swap Provider or the Currency Swap Provider (as applicable) to the Issuer on early termination of the relevant Swap under the relevant Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Interest Rate Swap Provider or the Currency Swap Provider (as applicable) such Swap Collateral is not to be applied in acquiring a replacement swap in which case such amounts will be included in Available Revenue Receipts), (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Interest Rate Swap Provider or the Currency Swap Provider (as applicable), (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date and (v) Euro exchange amounts received by the Issuer which relate to Sterling Principal Receipts exchanged for such Euro exchange amounts under the Currency Swap Agreement;

- (d) the Liquidity Reserve Fund Excess Amounts;
- (e) following the redemption in full of the Class A Notes and the Class B Notes, all amounts standing to the credit of the Liquidity Reserve Fund Ledger;
- (f) on the Interest Payment Date falling in January 2017 only, amounts standing to the credit of the Start-Up Loan Ledger of the Issuer Transaction Account in respect of amounts advanced under Tranche A of the Start-Up Loan to the extent such amounts have not been applied to pay the closing costs and expenses of the Issuer by such Interest Payment Date;
- (g) the amount of any Advance under Tranche C of the Start-Up Loan Agreement made with respect to the relevant Interest Payment Date;
- (h) any Available Principal Receipts to be applied on such Interest Payment Date pursuant to items (a)(i), (a)(ii) and (a)(iii) or (b)(i), (b)(ii) and (b)(iii), as applicable, of the Pre-Enforcement Principal Priority of Payments in an amount sufficient to cure a Revenue Deficiency (if any);
- (i) any amounts received by way of enforcement of the Loans and Related Security other than those amounts deemed to be principal; and
- (j) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts.

Available Principal Receipts means, for any Interest Payment Date, an amount equal to the aggregate of (without double counting) and applied on a first in first out basis:

- (k) any Class A3 Reserve Amount standing to the credit of the Class A3 Reserve Ledger from the preceding Interest Payment Date, which remains to the credit of the Class A3 Reserve Ledger (such amount to be applied in advance of all other Available Principal Receipts);

- (l) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date:
 - (i) received by the Issuer during the immediately preceding Collection Period; and
 - (ii) received by the Issuer from the Seller during the immediately preceding Collection Period in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement;
- (m) any amounts received by way of enforcement of the Loans and Related Security deemed to be principal;
- (n) amounts credited to the Principal Deficiency Ledger in accordance with items (i), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;
- (o) any insurance proceeds received during the immediately preceding Collection Period;
- (p) any amount drawn under the Subordinated Note and the portion of the Retention Note comprised by Retention Tranche SN equal to any Class A1a Shortfall Amount, Retention Tranche A1a Shortfall Amount, Class A1b Shortfall Amount, Retention Tranche A1b Shortfall Amount, Class A2 Shortfall Amount or Retention Tranche A2 Shortfall Amount which has been recorded on such Interest Payment Date;
- (q) Euro exchange amounts received by the Issuer which relate to Sterling Principal Receipts that have been exchanged for such Euro exchange amounts under the Currency Swap but not including any other amount in respect of the Currency Swap Agreement (or any termination amount); and
- (r) any other amounts deemed by the Cash Manager to be principal which are not Available Revenue Receipts;

minus

- (s) an amount equal to the aggregate of all Further Advance Purchase Price amounts and all New Portfolio Purchase Price amounts paid by the Issuer in such Collection Period (but excluding from this deduction any Further Advance Purchase Price amounts and any New Portfolio Purchase Price amounts to be paid by the Issuer on that Interest Payment Date),

and for the avoidance of doubt, the following shall not constitute Available Principal Receipts:

- (i) amounts applied to the Pre-Enforcement Revenue Priority of Payments under items (a)(i), (a)(ii) and (a)(iii) or (b)(i), (b)(ii) and (b)(iii), as applicable, of the Pre-Enforcement Principal Priority of Payments; and

- (ii) any amounts standing to the credit of the Principal Ledger that are applied in or towards the payment of any Optional Redemption Repayment Amount pursuant to the terms of the Trust Deed.

A **Pass-Through Event** will occur if, during the Revolving Period, the Class A3 Notes are redeemed in full and the portion of the Retention Note comprised by Retention Tranche A3 is reduced to zero.

Portfolio Eligibility Trigger means the occurrence of any one of the following events:

- (a) the Step-Up Date;
- (b) a Seller Insolvency Event;
- (c) an unremedied breach by the Seller of any of its obligations under the Transaction Documents, which breach has (or, with the passage of time, would have) a Material Adverse Effect;
- (d) following the application of the Pre-Enforcement Revenue Priority of Payments on an Interest Payment Date, the balance recorded to the Subordinated Note Principal Deficiency Ledger is in excess of 1 per cent. of the aggregate Principal Amount Outstanding of all Notes as at that Interest Payment Date;
- (e) the Liquidity Reserve Fund are not fully funded to the Liquidity Reserve Fund Required Amount on an Interest Payment Date following the application of the Pre-Enforcement Revenue Priority of Payments;
- (f) redemption in full of the Class A3 Notes and reduction of the portion of the Retention Note comprised by Retention Tranche A3; and
- (g) the aggregate Current Balance of the Loans in the Portfolio which are then in arrears for 3 months or more or is greater than or equal to 3 per cent. of the aggregate Current Balance of all Loans in the Portfolio as at any Interest Payment Date.

Revolving Period End Date means the earlier of (i) the Interest Payment Date falling in April 2021; and (ii) the occurrence of a Revolving Period Termination Event.

Revolving Period Termination Event means (i) the occurrence of a Pass-Through Event; (ii) the occurrence of an Event of Default; or (iii) the occurrence of a Portfolio Eligibility Trigger.

Summary of Priorities of Payments

On each Interest Payment Date prior to the service of a Note Acceleration Notice on the Issuer, the Cash Manager will apply, or cause to be applied in the order set out below:

- (a) Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments;
- (b) proceeds of any Liquidity Reserve Fund Drawing in accordance with the Liquidity Reserve Fund Revenue Priority of Payments (if required); and
- (c) Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments.

See “Cashflows—Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer” and “—Application of Available Principal Receipts Prior to the Service of a Note Acceleration Notice on the Issuer” below.

Following service of a Note Acceleration Notice on the Issuer, the Security Trustee (or the Cash Manager on its behalf) will apply amounts available for such purpose in accordance with the Post-Enforcement Priority of Payments.

See “Cashflows—Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer” below.

Material Adverse Effect

As the context requires **Material Adverse Effect** means:

- (a) a material adverse effect on the validity or enforceability of any of the Transaction Documents or the Notes;
- (b) a material adverse effect on the collectability or receipt by or on behalf of the Issuer of any principal receipts or revenue receipts or sale proceeds in respect of the Loans;
- (c) a material adverse effect on the right, title, interests and/or benefit of the Issuer or the Security Trustee in the Loans or in any other Charged Assets or the ability of the Security Trustee to enforce the Security or the priority of any Security;
- (d) an adverse effect on the business, operations, assets, property, condition (financial or otherwise) or prospects of any person which is material in the context of the Transaction or on the ability of such person to perform its obligations under any of the Transaction Documents;
- (e) a material adverse effect on the Class A1a Notes or the Class A1a Noteholders or the Class A1b Notes or the Class A1b Noteholders; or
- (f) a failure in the provision of information to any Transaction Party which is material in the context of the Transaction.

Pre-Enforcement Priority of Payments

On each Interest Payment Date prior to the delivery of a Note Acceleration Notice and prior to the redemption of the Notes in full in accordance with the relevant Conditions the Cash Manager shall apply or provide for application of the amounts described in the following diagrams.

- (a) Available Revenue Receipts in the following order of priority (the **Pre-Enforcement Revenue Priority of Payments**):

Pre-Enforcement Revenue Priority of Payments

(a)	Note Trustees & Security Trustee (<i>pro rata & pari passu</i> fees & expenses)																	
(b)	Principal Paying Agent, Agent Bank, Registrar & Corporate Services Provider (<i>pro rata & pari passu</i> fees & expenses)																	
(c)	Servicer, Cash Manager, Swap Collateral Account Bank(s), Back-up Facilitator and Issuer Account Bank (<i>pro rata & pari passu</i> fees & expenses)																	
(d)	Issuer (corporation tax payments)																	
(e)	Issuer (profit to be retained)																	
(f)	Issuer (amounts due and payable to third parties)																	
(g)	Interest Rate Swap Provider & Currency Swap Provider (amounts due and payable <i>pro rata & pari passu</i> to the relevant Swap Provider in respect of the relevant 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 relevant Swap Provider of any Replacement Swap Premium) excluding any relevant Swap Excluded Termination Amount and, only in relation to the Currency Swap, any amounts denominated in Sterling required to be exchanged for Euro exchange amounts under the Currency Swap Agreement)																	
(h)	<table border="1"> <tr> <th colspan="8"><i>Pro Rata & Pari Passu</i></th> </tr> <tr> <td>Class A1a Noteholders (interest on the Class A1a Notes)</td> <td>Retention Noteholder (interest on the Retention Tranche A1a Principal Amount)</td> <td>Class A1b Noteholders (interest on the Class A1b Notes)</td> <td>Retention Noteholder (interest on the Retention Tranche A1b Principal Amount)</td> <td>Class A2 Noteholders (interest on the Class A2 Notes)</td> <td>Retention Noteholder (interest on the Retention Tranche A2 Principal Amount)</td> <td>Class A3 Noteholders (interest on the Class A3 Notes)</td> <td>Retention Noteholder (interest on the Retention Tranche A3 Principal Amount)</td> </tr> </table>	<i>Pro Rata & Pari Passu</i>								Class A1a Noteholders (interest on the Class A1a Notes)	Retention Noteholder (interest on the Retention Tranche A1a Principal Amount)	Class A1b Noteholders (interest on the Class A1b Notes)	Retention Noteholder (interest on the Retention Tranche A1b Principal Amount)	Class A2 Noteholders (interest on the Class A2 Notes)	Retention Noteholder (interest on the Retention Tranche A2 Principal Amount)	Class A3 Noteholders (interest on the Class A3 Notes)	Retention Noteholder (interest on the Retention Tranche A3 Principal Amount)	
<i>Pro Rata & Pari Passu</i>																		
Class A1a Noteholders (interest on the Class A1a Notes)	Retention Noteholder (interest on the Retention Tranche A1a Principal Amount)	Class A1b Noteholders (interest on the Class A1b Notes)	Retention Noteholder (interest on the Retention Tranche A1b Principal Amount)	Class A2 Noteholders (interest on the Class A2 Notes)	Retention Noteholder (interest on the Retention Tranche A2 Principal Amount)	Class A3 Noteholders (interest on the Class A3 Notes)	Retention Noteholder (interest on the Retention Tranche A3 Principal Amount)											
(i)	Class A Principal Deficiency Ledger (amount to reduce debit balance to zero)																	
(j)	Retention Tranche A Principal Deficiency Sub-Ledger (amount to reduce debit balance to zero)																	
(k)	Class B Noteholders (interest on Class B Notes)																	
(l)	Retention Noteholder (interest on the Retention Tranche B Principal Amount)																	
(m)	Issuer Transaction Account (amount up to the Liquidity Reserve Fund Required Amount)																	
(n)	Class B Principal Deficiency Ledger (amount to reduce debit balance to zero)																	
(o)	Retention Tranche B Principal Deficiency Sub-Ledger (amount to reduce debit balance to zero)																	
(p)	Class C Noteholders (interest on Class C Notes)																	
(q)	Retention Noteholder (interest on the Retention Tranche C Principal Amount)																	
(r)	Class C Principal Deficiency Ledger (amount to reduce debit balance to zero)																	
(s)	Retention Tranche C Principal Deficiency Sub-Ledger (amount to reduce debit balance to zero)																	
(t)	Interest Rate Swap Provider & Currency Swap Provider (amounts due and payable <i>pro rata & pari passu</i> to the relevant Swap Provider in accordance with the terms of the relevant Swap Agreement in respect of the relevant Swap Excluded Termination Amount (to the extent not satisfied by payment to the relevant Swap Provider by the Issuer of any Replacement Swap Premium))																	
(u)	Subordinated Note Principal Deficiency Ledger (amount to reduce debit balance to zero)																	
(v)	Retention Tranche SN Principal Deficiency Sub-Ledger (amount to reduce debit balance to zero)																	
(w)	Subordinated Noteholder (interest on Subordinated Note)																	
(x)	Retention Noteholder (interest on the Retention Tranche SN Principal Amount)																	
(y)	Start-Up Loan Provider (all amounts due under the Start-Up Loan)																	
(z)	Retention Noteholder (all amounts due under Retention Tranche SUL)																	
(aa)	Seller (Deferred Consideration)																	
(ab)	Retention Noteholder (all amounts due under Retention Tranche Deferred Consideration)																	

- (b) Monies released from the Liquidity Reserve Fund in the following order of priority (the **Liquidity Reserve Fund Revenue Priority of Payments**):

Liquidity Reserve Fund Revenue Priority of Payments								
(a)	Note Trustees & Security Trustee <i>(pro rata & pari passu fees & expenses)</i>							
↓								
(b)	Principal Paying Agent, Agent Bank, Registrar & Corporate Services Provider <i>(pro rata & pari passu fees & expenses)</i>							
↓								
(c)	Servicer, Cash Manager, Swap Collateral Account Bank(s), Back-up Facilitator and Issuer Account Bank <i>(pro rata & pari passu fees & expenses)</i>							
↓								
(d)	Issuer <i>(corporation tax payments)</i>							
↓								
(e)	Issuer <i>(profit to be retained)</i>							
↓								
(f)	Interest Rate Swap Provider & Currency Swap Provider <i>(amounts due and payable pro rata & pari passu to the relevant Swap Provider in respect of the relevant 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 relevant Swap Provider of any Replacement Swap Premium) excluding any relevant Swap Excluded Termination Amount and, only in relation to the Currency Swap, any amounts denominated in Sterling required to be exchanged for Euro exchange amounts under the Currency Swap Agreement)</i>							
↓								
(g)	Pro Rata & Pari Passu							
	Class A1a Noteholders <i>(interest on the Class A1a Notes)</i>	Retention Noteholder <i>(interest on the Retention Tranche A1a Principal Amount)</i>	Class A1b Noteholders <i>(interest on the Class A1b Notes)</i>	Retention Noteholder <i>(interest on the Retention Tranche A1b Principal Amount)</i>	Class A2 Noteholders <i>(interest on the Class A2 Notes)</i>	Retention Noteholder <i>(interest on the Retention Tranche A2 Principal Amount)</i>	Class A3 Noteholders <i>(interest on the Class A3 Notes)</i>	Retention Noteholder <i>(interest on the Retention Tranche A3 Principal Amount)</i>
↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓								
(i)	Pro Rata & Pari Passu							
	Class B Noteholders <i>(interest on the Class B Notes, only if the Cumulative Default Ratio 1 is met)</i>				Retention Noteholder <i>(interest on the Retention Tranche B Principal Amount, only if the Cumulative Default Ratio 1 is met)</i>			

(c) Available Principal Receipts in the following order of priority (the **Pre-Enforcement Principal Priority of Payments**):

Pre-Enforcement Principal Priority of Payments

During the Revolving Period

(a)	Available Revenue Receipts (amount up to the amount of any remaining Revenue Deficiency to pay items (a) to (h) of the Pre-Enforcement Revenue Priority of Payments following the application of Liquidity Reserve Fund Drawing on that Interest Payment Date)					
	↓					
(b)	Available Revenue Receipts (if Cumulative Default Ratio 1 is met, up to the amount of any remaining Revenue Deficiency to pay item (j) of the Pre-Enforcement Revenue Priority of Payments following the application of Liquidity Reserve Fund Drawing on that Interest Payment Date)					
	↓					
(c)	Available Revenue Receipts (if Cumulative Default Ratio 2 is met, up to the amount of any Revenue Deficiency to pay item (m) of the Pre-Enforcement Revenue Priority of Payments following the application of Liquidity Reserve Fund Drawing on that Interest Payment Date)					
	↓					
(d)	Further Advance Purchase Price Ledger (amount to reduce debit balance to zero)					
	↓					
(e)	Pro Rata & Pari Passu (based on the respective amount required to reach the relevant Target Amortisation Amount for such Class)					
	Class A1a Noteholders (Sterling exchange amounts payable to the Currency Swap Provider in exchange for Euro exchange amounts under the Currency Swap Agreement, with the Issuer using the Euro exchange amounts received from the Currency Swap Provider towards repayment of the principal amounts outstanding on the Class A1a Notes, up to the Class A1a Target Amortisation Amount)	Retention Noteholder (principal towards repayment of the principal amounts outstanding on the Retention Note, up to the Retention Tranche A1a Target Amortisation Amount)	Class A1b Noteholders (principal towards repayment of the principal amounts outstanding on the Class A1b Notes, up to the Class A1b Target Amortisation Amount)	Retention Noteholder (principal towards repayment of the principal amounts outstanding on the Retention Note, up to the Retention Tranche A1b Target Amortisation Amount)	Class A2 Noteholders (principal towards repayment of the principal amounts outstanding on the Class A2 Notes, up to the Class A2 Target Amortisation Amount)	Retention Noteholder (principal towards repayment of the principal amounts outstanding on the Retention Note, up to the Retention Tranche A2 Target Amortisation Amount)
	↓	↓	↓	↓	↓	↓
(f)	New Portfolio Purchase Price Ledger (amount to reduce debit balance to zero)					
	↓					
(j)	Pro Rata & Pari Passu					
	Class A3 Noteholders (principal towards repayment of the principal amounts outstanding on the Class A3 Notes up to the Maximum Class A3 Amortisation Amount for such Interest Payment Date until the Principal Amount Outstanding of the Class A3 Notes is reduced to zero)	Retention Noteholder (principal towards repayment of the principal amounts outstanding on the portion of the Retention Note comprised by Retention Tranche A3 up to the Maximum Class A3 Amortisation Amount for such Interest Payment Date until the Retention Tranche A3 is reduced to zero)				
	↓	↓				
(k)	Class A3 Reserve Ledger (all remaining amounts)					

Pre-Enforcement Principal Priority of Payments

Prior to an Enforcement Event but on and following the Revolving Period End Date

(a)	Available Revenue Receipts (amount up to the amount of any remaining Revenue Deficiency to pay items (a) to (h) of the Pre-Enforcement Revenue Priority of Payments following the application of Liquidity Reserve Fund Drawing on that Interest Payment Date)			
	↓			
(b)	Available Revenue Receipts (if Cumulative Default Ratio 1 is met, up to the amount of any remaining Revenue Deficiency to pay item (j) of the Pre-Enforcement Revenue Priority of Payments following the application of Liquidity Reserve Fund Drawing on that Interest Payment Date)			
	↓			
(c)	Available Revenue Receipts (if Cumulative Default Ratio 2 is met, up to the amount of any Revenue Deficiency to pay item (m) of the Pre-Enforcement Revenue Priority of Payments following the application of Liquidity Reserve Fund Drawing on that Interest Payment Date)			
	↓			
(d)	Pro Rata & Pari Passu			
	Class A1a Noteholders (Sterling exchange amounts payable to the Currency Swap Provider in exchange for Euro exchange amounts under the Currency Swap Agreement, with the Issuer using the Euro exchange amounts received from the Currency Swap Provider towards repayment of principal to the Class A1a Noteholders until the Principal Amount Outstanding of the Class A1a Notes is reduced to zero)	Retention Noteholder (principal to the Retention Noteholder until the Retention Tranche A1a Principal Amount is reduced to zero)	Class A1b Noteholders (principal to the Class A1b Noteholders until the Principal Amount Outstanding of the Class A1b Notes is reduced to zero)	Retention Noteholder (principal to the Retention Noteholder until the Retention Tranche A1b Principal Amount is reduced to zero)
	↓	↓	↓	↓
(e)	Pro Rata & Pari Passu			
	Class A2 Noteholders (principal to the Class A2 Noteholders until the Principal Amount outstanding of the Class A2 Notes is reduced to zero)	Retention Noteholder (principal to the Retention Noteholder until the Retention Tranche A2 Principal Amount is reduced to zero)		
	↓	↓		
(f)	Pro Rata & Pari Passu			
	Class A3 Noteholders (principal to the Class A3 Noteholders until the Principal Amount outstanding of the Class A3 Notes is reduced to zero)	Retention Noteholder (principal to the Retention Noteholder until the Retention Tranche A3 Principal Amount is reduced to zero)		
	↓	↓		
(g)	Pro Rata & Pari Passu			
	Class B Noteholders (principal to Class B Noteholders until the Principal Amount outstanding of the Class B Notes is reduced to zero)	Retention Noteholder (principal to the Retention Noteholder until the Retention Tranche B Principal Amount is reduced to zero)		
	↓	↓		
(h)	Pro Rata & Pari Passu			
	Class C Noteholders (principal to Class C Noteholders until the Principal Amount outstanding of the Class C Notes is reduced to zero)	Retention Noteholder (principal to the Retention Noteholder until the Retention Tranche C Principal Amount is reduced to zero)		
	↓	↓		
(i)	Pro Rata & Pari Passu			
	Subordinated Noteholder (principal to the Subordinated Noteholder until the Principal Amount outstanding of the Subordinated Note is reduced to zero)	Retention Noteholder (principal to the Retention Noteholder until the Retention Tranche SN Principal Amount is reduced to zero)		
	↓	↓		
(j)	Pro Rata & Pari Passu			
	Seller (Deferred Consideration)	Retention Noteholder (all amounts due under Retention Tranche Deferred Consideration)		

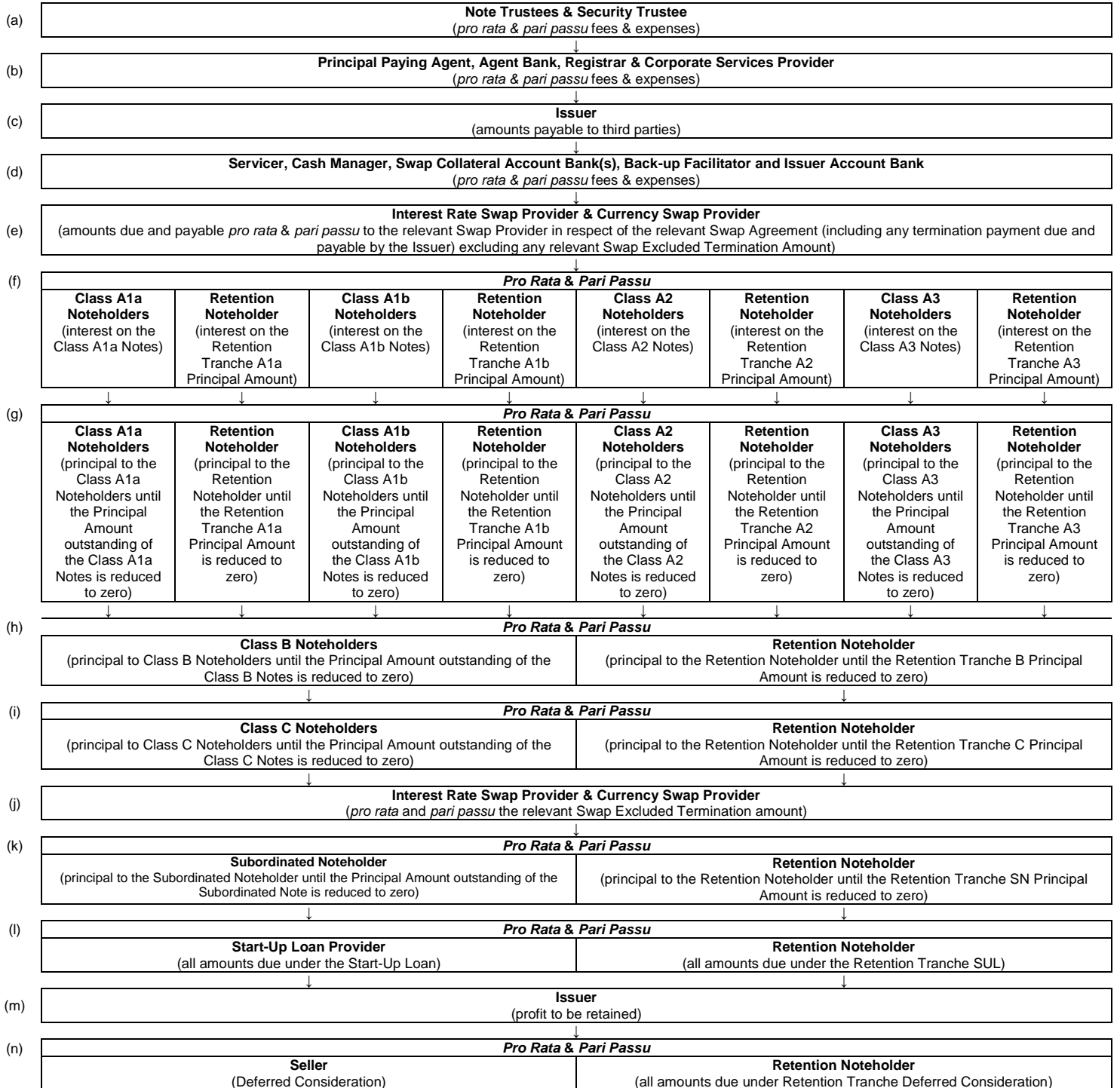
Post-Enforcement Priority of Payments

On each Interest Payment Date following the delivery of a Note Acceleration Notice by the Note Trustee (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) will apply all monies standing to the credit of the Bank Accounts and all receipts (however characterised or realised) received by the Issuer and/or the Security Trustee or a Receiver (whether of principal or interest or otherwise but excluding:

- (a) any Excess Swap Collateral which shall be returned directly to the relevant Swap Provider under the relevant Swap Agreement;
- (b) any Swap Collateral (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the relevant Swap Agreement, to reduce the amount that would otherwise be payable by the relevant Swap Provider to the Issuer on early termination of the relevant Swap under the relevant Swap Agreement) which shall be returned directly to the relevant Swap Provider to, in the event that an Early Termination Date (as defined in the relevant Swap Agreement) has been designated, pay any early termination amount payable by the Issuer to the relevant Swap Provider in accordance with the terms of the relevant Swap Agreement;
- (c) any Swap Tax Credits which shall be returned directly to the relevant Swap Provider; and
- (d) any Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to the relevant Swap Provider) which shall be paid directly to the relevant Swap Provider),

in the order of priority set forth on the following page (and, in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full):

Post-Enforcement Priority of Payments



General Credit Structure

The general credit structure of the transaction includes the following elements:

- payments on the Subordinated Note are subordinated to payments on the Class A Notes, the Class B Notes and the Class C Notes and payments on the portions of the Retention Note comprised by the Retention Note Amortising Tranches;
- availability of the **Liquidity Reserve Fund**, funded on the Closing Date by the proceeds of the Start-Up Loan and the corresponding Retention Note Drawing up to the Initial Liquidity Reserve Fund Required Amount. To the extent required and subject to certain Cumulative Default Triggers, monies standing to the credit of the Liquidity Reserve Fund equal to any required Liquidity Reserve Fund Drawing Amount will be used on each Interest Payment Date in accordance with the Liquidity Reserve Fund Revenue Priority of Payments to meet certain Revenue Deficiencies. On each Interest Payment Date, the Liquidity Reserve Fund is replenished up to the Liquidity Reserve Fund Required Amount from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and (if required) further drawings under the Start-Up Loan and the portion of the Retention Note comprised by Retention Tranche SUL. On each Interest Payment Date, any Liquidity Reserve Fund Excess Amount will be released as Available Revenue Receipts (see “*Credit Structure—Liquidity Reserve Fund*” for further details);
- the application in certain circumstances of Principal Receipts to provide for certain Revenue Deficiencies (subject to certain Cumulative Default Triggers) (see “*Credit Structure—Use of Principal Receipts to pay Revenue Deficiency*” for further details);
- a Principal Deficiency Ledger established to record all deficiencies arising from Losses on the Portfolio. Sub-ledgers on the Principal Deficiency Ledger will record as a credit Available Revenue Receipts applied pursuant to items (i), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments (if any) (which amounts shall thereupon become Available Principal Receipts) (see “*Credit Structure—Principal Deficiency Ledger*” for further details);
- availability of Subordinated Note Drawings and Retention Note Drawings to supplement Further Advance Purchase Price Shortfall Amounts, New Portfolio Purchase Price Shortfall Amounts, Class A1a Shortfall Amounts, Retention Tranche A1a Shortfall Amounts, Class A1b Shortfall Amounts, Retention Tranche A1b Shortfall Amounts, Class A2 Shortfall Amounts and Retention Tranche A2 Shortfall Amounts (see “*Credit Structure—Subordinated Note*” and “*—Retention Note*” for further details);
- the expectation that Available Revenue Receipts will exceed interest and fees payable by the Issuer under the Notes;
- availability of an interest rate swap provided by the Interest Rate Swap Provider to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and Three-Month Sterling LIBOR (see “*Credit Structure—Interest Rate Risk for the Sterling Notes*” for further details); and

- availability of a currency swap provided by the Currency Swap Provider to hedge against: (i) the currency mismatch and possible variance between the Sterling Interest Receipts received under the Discretionary Rate Loans, the Tracker Rate Loans and the Discounted Variable Rate Loans, the Sterling amounts received under the Interest Rate Swap, and the Euro interest amounts due in respect of the Class A1a Notes; and (ii) the currency mismatch between the Sterling Principal Receipts received in respect of the Portfolio and the Euro principal amounts due on the Class A1a Notes (see “*Credit Structure—Currency and Interest Rate Risk for the Class A1a Notes*” for further details).

Losses means all realised losses in respect of a Loan, including any loss arising as a result of an exercise of any set-off by the relevant Borrower.

Bank Accounts and Cash Management

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager’s principal function will be effecting payments to and from the Issuer Transaction Account and (if necessary) the Swap Collateral Account(s). In addition, the Cash Manager will:

- provide the Issuer, the Security Trustee, the Seller, the Class A1a Noteholders, the Class A1b Noteholders, the Class A2 Noteholders, the Class A3 Noteholders and the Rating Agencies with a monthly report in relation to the Portfolio by no later than the 20th day of each calendar month;
- provide the Issuer, the Seller, the Class A1a Noteholders, the Class A1b Noteholders, the Class A2 Noteholders and the Class A3 Noteholders with a Quarterly Report in respect of the Loans in the Portfolio within one month of each Interest Payment Date;
- calculate the Available Revenue Receipts and Available Principal Receipts (and during the Revolving Period, the Class A3 Reserve Amount) of the Issuer;
- apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, Liquidity Reserve Fund Drawings in accordance with the Liquidity Reserve Fund Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments;
- on each Interest Payment Date following the delivery of a Note Acceleration Notice, unless the Security Trustee requires otherwise, apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the Post-Enforcement Priority of Payments;
- record credits to and debits from the Principal Ledger, the Revenue Ledger, the Class A3 Reserve Ledger, the Liquidity Reserve Fund Ledger, the Principal Deficiency Ledger, the Issuer Profit Ledger, the Start-Up Loan Ledger, the Subordinated Note Ledger and the Retention Note Ledger, as and when required;
- make payments of the consideration for Further Advances and New Portfolios to the Seller;

- (h) test the Portfolio Eligibility Triggers (other than items (a), (b), (c) and (g) of the definition of Portfolio Eligibility Trigger) on each Interest Payment Date taking into account the application of the Priorities of Payments on that Interest Payment Date, and promptly notifying the Issuer, the Seller, the Servicer and the Security Trustee in the event that any Portfolio Eligibility Trigger (other than items (a), (b), (c) and (g) of the definition of Portfolio Eligibility Trigger) has been breached;
- (i) make any determinations required to be made by the Issuer and provide any information required to be provided to the Interest Rate Swap Provider and/or the Currency Swap Provider under the Swap Agreements;
- (j) establish one or more Swap Collateral Accounts and credit all Swap Collateral to the relevant Swap Collateral Account and operate the Swap Collateral Account(s) and ensure that payments are made into and from such account(s) in accordance with the Cash Management Agreement, the Swap Collateral Bank Account Agreement(s), the Deed of Charge and the Swap Agreements; and
- (k) utilise a Subordinated Note Drawing and the corresponding Retention Note Drawing or an advance under Tranche C of the Start-Up Loan and the corresponding Retention Note Drawing, as required.

The Issuer will enter into the Bank Account Agreement with the Issuer Account Bank on the Closing Date in respect of the Issuer Transaction Account and any additional accounts to be established by the Issuer pursuant to the Bank Account Agreement (collectively with the Swap Collateral Accounts, the **Bank Accounts**). On each Interest Payment Date, the Cash Manager will apply monies in the Issuer Transaction Account in accordance with the relevant Priority of Payments. Monies in the Issuer Transaction Account may also be used on any Sale Date to pay the New Portfolio Purchase Price in respect of any new Loans and on any Further Advance Payment Date to pay the Further Advance Purchase Price in respect of any Further Advance sold by the Seller to the Issuer.

Swap Collateral Account means any account opened by the Issuer with a Swap Collateral Account Bank for the purposes of depositing any collateral to be posted by the Interest Rate Swap Provider or the Currency Swap Provider pursuant to the terms of the relevant Swap Agreement and includes the Sterling cash Swap Collateral Account, the Euro cash Swap Collateral Account and the USD cash Swap Collateral Account opened by the Issuer with Citibank London Branch on or about the Closing Date.

Swap Collateral Account Bank means the bank or building society that complies with the ratings requirements of Moody's and Fitch for a collateral account bank at the time of appointment given the then current rating of highest class of Rated Notes, with which the Issuer agrees to open any Swap Collateral Accounts, including Citibank London Branch in respect of the Sterling cash Swap Collateral Account, the Euro cash Swap Collateral Account and the USD cash Swap Collateral Account opened by the Issuer on or about the Closing Date.

See "*Summary of the Key Transaction Documents—Cash Management Agreement*" below.

Interest Rate Swap

On or about the Closing Date, the Interest Rate Swap Provider will enter into the Interest Rate Swap Agreement.

Payments received by the Issuer under the Fixed Rate Loans in the Portfolio will be subject to fixed rates of interest. The interest amounts payable by the Issuer in respect of the Rated Notes (other than the Class A1a Notes) will be calculated by reference to Three-Month Sterling LIBOR plus the Relevant Margin. Pursuant to the Interest Rate Swap Agreement the Issuer will enter into a swap transaction to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and Three-Month Sterling LIBOR (the **Interest Rate Swap**).

The Interest Rate Swap has the following key commercial terms:

Issuer Payment: the amount equal to the product of (i) the Weighted Average Fixed Rate, (ii) the Interest Rate Swap Notional Amount, and (iii) the number of days in the relevant Interest Period divided by 365.

Interest Rate Swap Provider Payment: the amount equal to the product of (i) three month Sterling LIBOR (determined in accordance with the 2006 ISDA Definitions) as fixed on the immediately preceding Interest Payment Date plus a spread of 1.989 per cent. per annum, (ii) the Interest Rate Swap Notional Amount, and (iii) number of days in the relevant Interest Period divided by 365.

Interest Rate Swap Notional Amount: in relation to an Interest Period, the lesser of (i) an amount notified by the Cash Manager in Sterling equal to the aggregate Performing Balance of the Fixed Rate Loans in the Portfolio for the Collection Period ending immediately prior to the relevant Interest Payment Date and (ii) £2,063,997,389.36.

Performing Balance: in relation to a Fixed Rate Loan and an Interest Period, an amount (if any) in Sterling equal to the product of (i) the average daily Current Balance of such Fixed Rate Loan during the Collection Period ending in the relevant Interest Period; and (ii) the result of (a) the interest actually paid by the relevant Borrower during that Collection Period divided by (b) the interest due and payable by the relevant Borrower during that Collection Period.

Weighted Average Fixed Rate: in relation to an Interest Period, the weighted average of the fixed rates of interest charged to Borrowers of Fixed Rate Loans during the Collection Period ending in the relevant Interest Period (with each rate applicable to a Fixed Rate Loan weighted by reference to the proportion that the Performing Balance of such Fixed Rate Loan bears to the aggregate Performing Balance of all Fixed Rate Loans) as notified by the Cash Manager in accordance with the provisions of the Cash Management Agreement.

Frequency of payment: quarterly on each Interest Payment Date.

Termination Date: the earlier of (i) 17 April 2063; (ii) the date on which the Rated Notes are redeemed in full in accordance with Condition 7.2 (*Mandatory Redemption of the Notes in Part*) or 7.3 (*Optional Redemption of the Rated Notes in Full*); (iii) following the expiry of the Revolving Period, the Interest Payment Date immediately following the Collection Period End Date on which the aggregate Performing Balance of the Fixed Rate Loans in the Portfolio is reduced to zero; and (iv) the occurrence of an Early Termination Date under the Interest Rate Swap Agreement following the occurrence of an Early Termination Event.

See “*Credit Structure—Interest Rate Risk for the Sterling Notes*” and “*—Interest Rate Swap*” for further details.

Currency Swap

On or about the Closing Date, the Currency Swap Provider will enter into the Currency Swap Agreement.

Payments received by the Issuer under some of the Loans in the Portfolio will be subject to variable rates of interest and, pursuant to the Interest Rate Swap, the Issuer will swap the fixed rates of interest received by the Issuer under the Fixed Rate Loans for Three-Month Sterling LIBOR. The interest amounts payable by the Issuer in respect of the Class A1a Notes will be calculated by reference to Three-Month EURIBOR plus the Relevant Margin. Amounts received by the Issuer under the Loans (Principal Receipts and Revenue Receipts) and the Interest Rate Swap are in Sterling. The interest and principal amounts payable by the Issuer in respect of the Class A1a Notes are in Euro.

Pursuant to the Currency Swap Agreement the Issuer will enter into a swap transaction to hedge against: (i) the currency mismatch and possible variance between the Sterling Interest Receipts received under the Discretionary Rate Loans, the Tracker Rate Loans and the Discounted Variable Rate Loans, the Sterling amounts received under the Interest Rate Swap, and the Euro interest amounts due in respect of the Class A1a Notes; and (ii) the currency mismatch between the Sterling Principal Receipts received in respect of the Portfolio and the Euro principal amounts due on the Class A1a Notes (the **Currency Swap**).

Under the terms of the Currency Swap Agreement, the Issuer will pay to the Currency Swap Provider:

- (a) on the Closing Date, the Euro proceeds received on the issue of the Class A1a Notes;
- (b) on each Interest Payment Date, an amount in Sterling calculated by reference to Three-Month Sterling LIBOR (determined in accordance with the 2006 ISDA Definitions) plus a spread of, prior to the Step-Up Date, 0.8957 per cent. per annum and, from the Step-Up Date, 1.2957 per cent. per annum on the Sterling equivalent of the Euro Principal Amount Outstanding of the Class A1a Notes on the first day of the relevant Interest Period (such Euro Principal Amount Outstanding to be converted into Sterling at an exchange rate specified in the Currency Swap Agreement); and
- (c) on:
 - (x) each Interest Payment Date on which principal amounts are to be paid in respect of the Class A1a Notes (other than the date on which the Class A1a Notes are redeemed in full), an amount in Sterling available to be applied in repayment of principal on the Class A1a Notes on that Interest Payment Date in accordance with the Pre-Enforcement Priority of Payments; and
 - (y) the Interest Payment Date on which the Class A1a Notes are redeemed in full (including in respect of the Issuer exercising an optional right to redeem the Class A1a Notes in full), an amount in Sterling equivalent to the Euro Principal Amount Outstanding on such date in respect of the Class A1a Notes (such Euro Principal Amount Outstanding to be converted into Sterling at an exchange rate specified in the Currency Swap Agreement).

Under the terms of the Currency Swap Agreement, the Currency Swap Provider will pay to the Issuer:

- (a) on the Closing Date, an amount in Sterling equal to the Euro proceeds of the issue of the Class A1a Notes (such proceeds to be converted into Sterling at an exchange rate specified in the Currency Swap Agreement);
- (b) on each Interest Payment Date, an amount in Euro calculated by reference to Three-Month EURIBOR (determined in accordance with the 2006 ISDA Definitions) plus a spread of, prior to the Step-Up Date, 0.4 per cent. per annum and, from the Step-Up Date, 0.8 per cent. per annum on the Euro Principal Amount Outstanding of the Class A1a Notes on the first day of the relevant Interest Period; and
- (c) on:
 - (x) each Interest Payment Date on which principal amounts are to be paid in respect of the Class A1a Notes (other than the date on which the Class A1a Notes are redeemed in full), an amount in Euro equivalent to the Sterling amounts available to be applied in repayment of principal on the Class A1a Notes on that Interest Payment Date (such Sterling amounts to be converted into Euro at an exchange rate specified in the Currency Swap Agreement); and
 - (y) the Interest Payment Date on which the Class A1a Notes are redeemed in full (including in respect of the Issuer exercising an optional right to redeem the Class A1a Notes in full), the Euro Principal Amount Outstanding on such date in respect of the Class A1a Notes.

The relevant Euro/Sterling exchange rate under the Currency Swap Agreement will be determined on or prior to the Closing Date.

The Currency Swap will terminate on the earlier of (i) 17 April 2063; (ii) the date on which the Class A1a Notes are redeemed in full in accordance with Condition 7.2 (*Mandatory Redemption of the Notes in Part*) or Condition 7.3 (*Optional Redemption of the Rated Notes in Full*); and (iii) the occurrence of an Early Termination Date under the Currency Swap Agreement following the occurrence of an Early Termination Event.

See section “*Credit Structure—Currency and Interest Rate Risk for the Class A1a Notes*” and “*—Currency Swap*” for further details.

RISK FACTORS

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

Credit Structure

Liabilities Under the Notes

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Arranger, any Joint Lead Manager, the Servicer, the Cash Manager, the Issuer Account Bank, the Subordinated Noteholder, the Retention Noteholder, the Interest Rate Swap Provider, the Currency Swap Provider, the Back-Up Facilitator, the Corporate Services Provider, any Paying Agent, the Agent Bank, the Swap Collateral Account Bank(s), the Registrar, the Dematerialised Note Registrar, the Note Trustee or the Security Trustee, any company in the same group of companies as such entities, any other party to the Transaction Documents or by any person other than the Issuer.

Limited Source of Funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on receipts from the Loans in the Portfolio, interest earned on the Bank Accounts (other than the Swap Collateral Accounts) and any Authorised Investments, amounts standing to the credit of the Liquidity Reserve Fund (subject to application in accordance with the relevant Priority of Payments and certain Cumulative Default Triggers), and receipts under the Swap Agreements. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The Relevant Margin payable by the Issuer on and from the Step-Up Date will be 0.80 per cent. per annum in respect of the Class A1a Notes, 1.54 per cent. per annum in respect of the Class A1b Notes, 1.58 per cent. per annum in respect of the Class A2 Notes, 1.64 per cent. per annum in respect of the Class A3 Notes, 2.80 per cent. per annum in respect of the Class B Notes and 3.50 per cent. per annum in respect of the Class C Notes. It is not expected that any additional sources of funds will be made available to the Issuer (including, without limitation, any additional Loans being made available by the Seller) in order for the Issuer to meet its payment obligations in respect of the increase in the Relevant Margin. The recourse of the Noteholders to the Charged Assets following service of a Note Acceleration Notice is described below under “—Certain Regulatory Considerations—English Law Security and Insolvency Considerations”.

Limited Recourse

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

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

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

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

Revenue and Principal Deficiency

If, on any Interest Payment Date, there are shortfalls in Available Revenue Receipts relative to the amount required to pay: (i) interest due on the Class A Notes and the portion of the Retention Note comprised by Retention Tranche A, amounts ranking in priority to the payment of interest on the Class A Notes and the portion of the Retention Note comprised by Retention Tranche A, and amounts necessary to eliminate any debit balances on the Class A Principal Deficiency Ledger and the Retention Tranche A Sub-Ledger of the Retention Note Principal Deficiency Ledger, (ii) interest due on the Class B Notes and the portion of the Retention Note comprised by Retention Tranche B, amounts ranking in priority to the payment of interest on the Class B Notes and the portion of the Retention Note comprised by Retention Tranche B, and amounts necessary to eliminate any debit balances on the Class B Principal Deficiency Ledger and the Retention Tranche B Sub-Ledger of the Retention Note Principal Deficiency Ledger, (iii) interest due on the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C, amounts ranking in priority to the payment of interest on the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C, and amounts necessary to eliminate any debit balances on the Class C Principal Deficiency Ledger and the Retention Tranche C Sub-Ledger of the Retention Note Principal Deficiency Ledger, and (iv) amounts necessary to eliminate any debit balances on the Subordinated Note Principal Deficiency Ledger and the Retention Tranche SN Sub-Ledger of the Retention Note Principal Deficiency Ledger, then the Issuer (or the Cash Manager on its behalf) may apply (1) a drawing from the amounts standing to the credit of the Liquidity Reserve Fund in accordance with the Liquidity Reserve Fund Revenue Priority of Payments; and (2) the Available Principal Receipts in accordance with items (a)(i), (a)(ii) and (a)(iii) or (b)(i), (b)(ii) and (b)(iii), as applicable, of the Pre-Enforcement Principal Priority of Payments, in each case subject to any applicable Cumulative Default Triggers. If Available Principal Receipts (if any) or a drawing from the Liquidity Reserve Fund are applied to cure a shortfall in Available Revenue Receipts relative to such payments, the consequences set out in this risk factor may result.

Losses of principal on the Portfolio will be recorded: (a) *first, pro rata and pari passu* based on the balance thereof to (i) the Subordinated Note Principal Deficiency Ledger until the balance of the Subordinated Note Principal Deficiency Ledger is equal to the Principal Amount Outstanding of the Subordinated Note, and (ii) the Retention Tranche SN Sub-Ledger on the Retention Note Principal Deficiency Ledger until the balance of the Retention Tranche SN Sub-Ledger on the Retention Note Principal Deficiency Ledger is equal to the outstanding Retention Tranche SN Principal Amount; (b) *second, pro rata and pari passu* based on the balance thereof to (i) the Class C Principal Deficiency Ledger until the balance of the Class C Principal Deficiency Ledger is equal to the Principal Amount Outstanding of the Class C Notes, and (ii) the Retention Tranche C Sub-Ledger on the Retention Note Principal Deficiency Ledger until the balance of the Retention Tranche C Sub-Ledger on the Retention Note Principal Deficiency Ledger is equal to the outstanding Retention Tranche C Principal Amount; (c) *third, pro rata and pari passu* based on the balance thereof to (i) the Class B Principal Deficiency Ledger until the balance of the Class B Principal Deficiency Ledger is equal to the Principal Amount Outstanding of the Class B Notes, and (ii) the Retention Tranche B Sub-Ledger on the Retention Note Principal Deficiency Ledger until the balance of the Retention Tranche B Sub-Ledger on the Retention Note Principal Deficiency Ledger is equal to the outstanding Retention Tranche B Principal Amount; and (d) *fourth, pro rata and pari passu* based on the balance thereof to (i) the Class A Principal Deficiency Ledger until the balance of the Class A Principal Deficiency Ledger is equal to the Principal Amount Outstanding of the Class A Notes and (ii) the Retention Tranche A Sub-Ledger on the Retention Note Principal Deficiency Ledger until the balance of the Retention Tranche A Sub-Ledger on the Retention Note Principal Deficiency Ledger is equal to the outstanding Retention Tranche A Principal Amount.

It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Available Revenue Receipts and (subject to certain Cumulative Default Triggers) amounts standing to the credit of the Liquidity Reserve Fund. Available Revenue Receipts and amounts standing to the credit of the Liquidity Reserve Fund will be applied, after meeting prior ranking obligations as set out under the relevant Priority of Payments, (in relation to Available Revenue Receipts) in accordance with the Pre-Enforcement Revenue Priority of Payments and (in relation to amounts standing to the credit of the Liquidity Reserve Fund) (subject to certain Cumulative Default Triggers) in accordance with the Liquidity Reserve Fund Revenue Priority of Payments (respectively), as a credit to the Principal Deficiency Ledger. Where a credit entry is made on the Principal Deficiency Ledger, such credit shall be applied to: (a) *first, pro rata and pari passu* based on the balance thereof to (i) the Class A Principal Deficiency Ledger, and (ii) the Retention Tranche A Sub-Ledger on the Retention Note Principal Deficiency Ledger, (b) *second, pro rata and pari passu* based on the balance thereof to (i) the Class B Principal Deficiency Ledger, and (ii) the Retention Tranche B Sub-Ledger on the Retention Note Principal Deficiency Ledger, (c) *third, pro rata and pari passu* based on the balance thereof to (i) the Class C Principal Deficiency Ledger, and (ii) the Retention Tranche C Sub-Ledger on the Retention Note Principal Deficiency Ledger and (d) *fourth, pro rata and pari passu* based on the balance thereof to (i) the Subordinated Note Principal Deficiency Ledger, and (ii) the Retention Tranche SN Sub-Ledger on the Retention Note Principal Deficiency Ledger.

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

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

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

The yield to maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the Noteholders. This yield to maturity may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans. Prepayments on the Loans may result from refinancings, 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 insurance policies. In addition, the repurchase of Loans required to be made under the Mortgage Sale Agreement because, for example, a Loan does not comply with the Loan Warranties or because a Loan is a Non-Compliant LCR Loan, a Non-Compliant ECB Loan or a Non-Compliant Solvency II Loan will have the same effect as a prepayment of such 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, the competitiveness of replacement products, the impact of whether a Loan imposes an early repayment charge on a Borrower, the end of any incentive periods which a particular Borrower may currently be on, local and regional economic conditions and homeowner mobility. Generally, when market interest rates increase, borrowers are either less likely to prepay their mortgage loans or will choose to refinance them, while, conversely, when market interest rates decrease, borrowers are either likely to prepay their mortgage loans or will not opt to refinance them. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Payments and prepayments of principal on the Loans will be applied, prior to delivery of a Note Acceleration Notice, on each Interest Payment Date to reduce the Principal Amount Outstanding of (i) the Class A1a Notes, during the Revolving Period, on a scheduled amortisation basis to the relevant Class A1a Target Amortisation Amount, and on and following the Revolving Period End Date, a pass-through basis, in each case in accordance with the Pre-Enforcement Principal Priority of Payments, (ii) the portion of the Retention Note comprised by Retention Tranche A1a, during the Revolving Period, on a scheduled amortisation basis to the relevant Retention Tranche A1a Target Amortisation Amount, and on and following the Revolving Period End Date, a pass-through basis, in each case in accordance with the Pre-Enforcement Principal Priority of Payments, (iii) the Class A1b Notes, during the Revolving Period, on a scheduled amortisation basis to the relevant Class A1b Target Amortisation Amount, and on and following the Revolving Period End

Date, a pass-through basis, in each case in accordance with the Pre-Enforcement Principal Priority of Payments, (iv) the portion of the Retention Note comprised by Retention Tranche A1b, during the Revolving Period, on a scheduled amortisation basis to the relevant Retention Tranche A1b Target Amortisation Amount, and on and following the Revolving Period End Date, a pass-through basis, in each case in accordance with the Pre-Enforcement Principal Priority of Payments, (v) the Class A2 Notes, during the Revolving Period, on a scheduled amortisation basis to the relevant Class A2 Target Amortisation Amount, and on and following the Revolving Period End Date, a pass-through basis, in each case in accordance with the Pre-Enforcement Principal Priority of Payments, (vi) the portion of the Retention Note comprised by Retention Tranche A2, during the Revolving Period, on a scheduled amortisation basis to the relevant Retention Tranche A2 Target Amortisation Amount, and on and following the Revolving Period End Date, a pass-through basis, in each case in accordance with the Pre-Enforcement Principal Priority of Payments, and (vii) the Class A3 Notes, the Class B Notes, the Class C Notes and the portions of the Retention Note comprised by Retention Tranche A3, Retention Tranche B and Retention Tranche C (as applicable) on a pass-through basis in accordance with the Pre-Enforcement Principal Priority of Payments. See “Cashflows” below.

During the Revolving Period and prior to delivery of a Note Acceleration Notice, payments and prepayments of principal on the Loans may be used (provided that there is no outstanding purchase price payable for any Further Advance, and a sufficient amount has been reserved for the Issuer to repay the Class A1a Notes, the portion of the Retention Note comprised by Retention Tranche A1a, the Class A1b Notes, the portion of the Retention Note comprised by Retention Tranche A1b, the Class A2 Notes and the portion of the Retention Note comprised by Retention Tranche A2, as applicable, on the ensuing Interest Payment Date down to the applicable Class A1a Target Amortisation Amount, Retention Tranche A1a Target Amortisation Amount, Class A1b Target Amortisation Amount, Retention Tranche A1b Target Amortisation Amount, Class A2 Target Amortisation Amount and Retention Tranche A2 Target Amortisation Amount, respectively) to purchase New Portfolios pursuant to the Mortgage Sale Agreement before any such principal amounts are used to redeem the Class A3 Notes, the Class B Notes, the Class C Notes, the Subordinated Note or the portion of the Retention Note comprised by Retention Tranche A3, Retention Tranche B, Retention Tranche C or Retention Tranche SN.

However, following the occurrence of a Revolving Period Termination Event, the Revolving Period will terminate and no New Portfolios may be sold to the Issuer. Principal Receipts will then be distributed in accordance with the terms of the applicable Pre-Enforcement Principal Priority of Payments, and the termination of the Revolving Period may adversely affect the yield to maturity on the Notes.

On the Step-Up Date and on any Interest Payment Date thereafter, the Issuer may, subject to certain conditions, redeem all of the Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer or any Paying Agent being required to make a deduction or withholding for or on account of tax on payments of principal or interest on the Rated Notes. Any of these events may adversely affect the yield to maturity on the Notes.

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

Limited Secondary Market for Loans

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

Subordination of the Class B Notes, the Class C Notes, the Subordinated Note and Certain Payments on the Retention Note

The Class B Notes and the portion of the Retention Note comprised by Retention Tranche B are subordinated in right of payment of interest and principal to the Class A Notes and the portions of the Retention Note comprised by Retention Tranche A, the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C are subordinated in right of payment of interest and principal to the Class A Notes, the portions of the Retention Note comprised by Retention Tranche A, the Class B Notes and the portion of the Retention Note comprised by Retention Tranche B, and the Subordinated Note and the portion of the Retention Note comprised by Retention Tranche SN is subordinated in right of payment of interest and principal to the Class A Notes, the Class B Notes, the Class C Notes and the portions of the Retention Note comprised by the Retention Note Amortising Tranches. There is, however, no assurance that the subordination of the Class B Notes, the Class C Notes, the Subordinated Note or certain payments on the Retention Note will protect the relevant holders of the Class A Notes, the Class B Notes or the Class C Notes, as applicable, from all risk of loss.

Deferral of Interest Payments on the Class C Notes, the Subordinated Note and the Retention Note

If, on any Interest Payment Date whilst any of the Class A Notes, the Class B Notes or the portions of the Retention Note comprised by Retention Tranche A or Retention Tranche B remain outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C 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 16 (*Subordination by Deferral*) to defer payment of such amounts (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class C Notes or the portion of the Retention Note comprised by Retention Tranche C becomes immediately due and repayable in accordance with the Conditions. Such deferral will not constitute an Event of Default. If no Class A Notes, Class B Notes or the portions of the Retention Note comprised by Retention Tranche A or Retention Tranche B are then outstanding, the Issuer will not be entitled, under Condition 16 (*Subordination by Deferral*), to defer payments of interest in respect of the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C.

If, on any Interest Payment Date whilst any of the Class A Notes, the Class B Notes, the Class C Notes or the portions of the Retention Note comprised by the Retention Note Amortising Tranches remain outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Subordinated Note and the portion of the Retention Note comprised by Retention Tranche SN 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 16 (*Subordination by Deferral*) to defer payment of such amounts (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Subordinated Note or the portion of the Retention Note comprised by Retention Tranche SN becomes immediately due and repayable in accordance with the Conditions. Such deferral will not constitute an Event of Default. If no Rated Notes or any portion of the Retention Note comprised by the Retention Note Amortising Tranches Principal Amounts are then outstanding, the Issuer will not be entitled, under Condition 16 (*Subordination by Deferral*), to defer payments of interest in respect of the Subordinated Note or the Retention Note.

Failure to pay interest on the Class A Notes, the Class B Notes or the portions of the Retention Note comprised by Retention Tranche A or Retention Tranche B, or, if there are no Class A Notes, Class B Notes or such portions of the Retention Note then outstanding, the Class C Notes or the portion of the Retention Note comprised by Retention Tranche C, or, if there are no Rated Notes or the portions of the Retention Note comprised by the Retention Note Amortising Tranches then outstanding, the Subordinated Note or the portion of the Retention Note comprised by Retention SN, shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security, in which case there is no guarantee that the Issuer will have sufficient funds to redeem the Notes in full.

Lack of Liquidity in the Secondary Market

No assurance is provided that there is an active and liquid secondary market for the Notes, and no assurance is provided that a secondary market for the Notes will develop. None of the Notes have been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth under “*Subscription and Sale*” and “*Transfer and Selling Restrictions*”.

To the extent that a secondary market exists or develops, it may not continue for the life of the Notes or it may not provide Noteholders with liquidity of investment with the result that a Noteholder may not be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholder to realise a desired yield. Any investor in the Notes must be prepared to hold their Notes until their Final Legal Maturity Date.

Economic Conditions in the Eurozone

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) have intensified. In particular, concerns have been raised with respect to current economic, monetary and political conditions in the Eurozone (the **Eurozone**), including, in particular, in relation to Greece. If such concerns persist and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more Member States or institutions and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Transaction Documents (including the Seller, the Servicer, the Issuer Account Bank, the Cash Manager, the Interest Rate Swap Provider, the Currency Swap Provider and/or the Swap Collateral Account Bank(s)) and/or any Borrower in respect of the Loans. Given the current uncertainty and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. For more information on how these political conditions may impact the United Kingdom, see “—*Exposure to UK Political developments*” below.

Exposure to UK Political Developments

Significant changes in UK Government policies could have a material adverse effect on TSB Bank (in one or more of its various roles and in particular as Seller and Servicer of the Loans) and the Issuer and their respective businesses and operations. In addition, the UK Government has announced that it will hold a referendum on the UK’s membership of the European Union on 23 June 2016. The outcome of any future UK political developments, including but not limited to the referendum and/or any changes in UK Government policies and/or in the UK’s membership of the European Union, is not known and there is considerable uncertainty as to the impact these developments may have on general economic conditions in the UK and, in particular, the UK housing market. As such, no assurance can be given that such matters would not adversely affect the market value of the Notes and/or the Issuer’s ability to make payments in full when due on the Notes.

On 23 March 2016, the Scotland Act 2016 received Royal Assent and passed into UK law. Amongst other things, the Scotland Act 2016 passes 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.

Lowering or Withdrawal of Ratings Assigned to the Rated Notes

The ratings assigned by Moody’s and Fitch to the Rated Notes address the likelihood of full and timely payment to Noteholders of the Rated Notes of all payments of interest on each interest payment date under that Class of Notes in accordance with the terms of the Transaction Documents (including, in respect of the Class C Notes, the ability to defer interest) and the applicable Conditions. The ratings also address the likelihood of “ultimate” payment of principal by the Final Legal Maturity Date of each Class of Rated Notes.

The ratings of the Rated Notes assigned on the Closing Date are set out on the cover of this Prospectus and under “*Ratings*” below.

A credit rating is not a recommendation to buy, sell or hold securities and any rating agency may lower, qualify or withdraw its rating if, in the sole judgment of the rating agency, the credit quality of such class has declined or is in question or other circumstances (including, without limitation, a reduction in the credit rating of the Issuer Account Bank, the Interest Rate Swap Provider, the Currency Swap Provider or the Swap Collateral Account Bank(s)) in the future so warrant. If any rating assigned to any Class of Rated Notes then outstanding is lowered, qualified or withdrawn, the market value of such Class of Rated Notes may be reduced.

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

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 shadow 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 references to ratings or rating in this Prospectus are to ratings assigned by the specified Rating Agency only. See “—*Unsolicited Ratings and the Selection and Qualification of Rating Agencies Rating the Notes may Impact the Value of the Notes*”.

Neither the Subordinated Note nor the Retention Note will be rated by the Rating Agencies.

CRA Regulations

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

The CRA Regulation was amended by European Regulation 462/2013 of 21 May 2013 (known as **CRA III**) and, as such, entered into force on 20 June 2013. Its provisions increase the regulation and supervision of credit rating agencies by ESMA but also impose new obligations on issuers of securities which have an EU element. Under Article 8b of the CRA Regulation, the issuer, originator and sponsor of structured finance instruments (**SFI**) established in the EU (a definition which the Notes fulfil) must jointly publish certain information about those SFI on a specified website set up by ESMA. This includes information on: the credit quality and performance of the underlying assets of the SFI; the structure of the securitisation transaction; the cashflows and any collateral supporting a securitisation exposure; and any information that is necessary to conduct comprehensive and well-informed stress tests on the cashflows and collateral values supporting the underlying exposures. On 30 September 2014, the European Commission adopted a delegated regulation containing regulatory technical standards (**RTS**) which set out in detail the information on SFI which must be published and rules on the presentation and updating of such information. The Regulation will apply from 1 January 2017, in order to provide issuers, originators and sponsors with reasonable time to prepare for compliance with the new disclosure obligations. ESMA has not yet launched the website on which information about SFI must be published or published certain technical reporting instructions concerning, amongst other things, the transmission of the relevant information to ESMA. Therefore, there remains some uncertainty surrounding the precise nature of the issuer’s and originator’s/sponsor’s obligations under the revised CRA Regulation and how the submission of information will work in practice.

Unsolicited Ratings and the Selection and Qualification of Rating Agencies Rating the Rated Notes may Impact the Value of the Rated Notes

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

The Issuer selected Moody's and Fitch to rate all of the Classes of Notes (other than the Subordinated Note and the Retention Note). There can be no assurance that, had the Issuer selected other rating agencies to rate the Notes, the ratings that such rating agencies would have ultimately assigned to those Classes of Notes would have been equivalent to those assigned by Moody's and Fitch. Neither the Issuer nor any other person or entity will have any duty to notify you if any other rating agency issues, or delivers notice of its intention to issue, unsolicited ratings on one or more Classes of the Notes after the Closing Date. Furthermore, the U.S. Securities and Exchange Commission (the **SEC**) may determine that one or more of the Rating Agencies engaged by the Issuer no longer qualifies as a NRSRO within the meaning of the Exchange Act, or is no longer qualified to rate the Notes, and that determination may have an adverse effect on the liquidity, market value and regulatory characteristics of the Notes.

Ratings Confirmation in respect of the Rated Notes

The terms of certain Transaction Documents require the parties to such Transaction Documents to obtain confirmation from the Rating Agencies that any action proposed to be taken by the Note Trustee, the Security Trustee or the Issuer, will not have an adverse effect on the then current rating of the Rated Notes (a **Ratings Confirmation**).

The Transaction Documents provide that none of the Secured Creditors (including the Noteholders), the Note Trustee, the Security Trustee or any other person whether by way of contract or otherwise shall acquire any actual or contingent rights against any Rating Agency (nor shall any Rating Agency assume any actual or contingent liability to any of the Secured Creditors (including the Noteholders), the Note Trustee or the Security Trustee), notwithstanding the fact that any of the Note Trustee or the Security Trustee may be entitled to assume that any matter or event is not materially prejudicial to the interests of any Class of Noteholders if any Rating Agency has confirmed that the then current rating of the Rated Notes would not be adversely affected by such matter or event.

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

If a Ratings Confirmation is a condition to any action or step under any Transaction Document and any of the relevant Rating Agencies refuses or is unwilling to deliver such confirmation in any instance (for any reason other than related to the rating itself), then the Ratings Confirmation in respect of the relevant Rating Agency will consist of a certification by the Issuer or the Cash Manager of no material prejudice to the Noteholders and the other Secured Creditors after it has notified the relevant Rating Agency of the proposed modification, waiver or request for consent, and having made all reasonable enquiries with the relevant Rating Agencies.

Interest Rate Risk

The Loans in the Portfolio are subject to variable and fixed interest rates while the Issuer's liabilities under the Notes are based on Three-Month Sterling LIBOR (or, with respect to the Class A1a Notes, Three-Month EURIBOR).

To hedge its interest rate exposure in relation to the Fixed Rate Loans in the Portfolio, the Issuer will enter into the Interest Rate Swap Agreement with the Interest Rate Swap Provider on the Closing Date. As of the date of this Prospectus, the Issuer has not hedged its interest rate exposure in relation to Tracker Rate Loans, Discounted Variable Rate Loans or Discretionary Rate Loans in the Portfolio and an increase in the rate of Three-Month Sterling LIBOR relative to the interest rates payable on these Loans could result in the Issuer having insufficient funds to make payment under the Notes. To hedge its interest rate exposure in relation to the Class A1a Notes, the Issuer will enter into the Currency Swap Agreement with the Currency Swap Provider (see “—*Currency and Interest Rate for the Class A1a Notes*” below for further details).

A failure by the Interest Rate Swap Provider to make timely payments of amounts due under the Interest Rate Swap Agreement will constitute a default thereunder. The Interest Rate Swap Agreement provides that the Sterling amounts owed by the Interest Rate Swap Provider on any payment date under the Interest Rate Swap (which corresponds to an Interest Payment Date) may be netted against the Sterling amounts owed by the Issuer on the same payment date. Accordingly, (i) if the amounts owed by the Issuer to the Interest Rate Swap Provider on a payment date are greater than the amounts owed by the Interest Rate Swap Provider to the Issuer on the same payment date, then the Issuer will pay the positive difference to the Interest Rate Swap Provider on such payment date; (ii) if the amounts owed by the Interest Rate Swap Provider to the Issuer on a payment date are greater than the amounts owed by the Issuer to the Interest Rate Swap Provider on the same payment date, then the Interest Rate Swap Provider will pay the positive difference to the Issuer on such payment date; and (iii) if the amounts owed by both parties are equal on a payment date, neither party will make a payment to the other on such payment date. To the extent that the Interest Rate Swap Provider defaults in its obligations under its Interest Rate Swap Agreement to make payments to the Issuer in Sterling on any payment date under the Interest Rate Swap (which corresponds to an Interest Payment Date), the Issuer will be exposed to the possible variance between the interest rates payable on the Fixed Rate Loans in the Portfolio and Three-Month Sterling LIBOR. Further, if the Interest Rate Swap Provider fails to pay any amounts or make any deliveries when due under the Interest Rate Swap Agreement, the Available Revenue Receipts may be insufficient to make the required payments on the Notes and the Currency Swap and the Noteholders may experience delays and/or reductions in the interest payments due to be received by them.

Changes or Uncertainty in respect of LIBOR may affect the Value of the Notes and the Payment of Interest Thereunder

The London Inter-Bank Offering Rate (**LIBOR**) has been subject to review and is currently subject to various investigations regarding whether the banks that contributed to the British Bankers' 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 an EU level and certain reforms have already been adopted, including the replacement of the BBA with the ICE Benchmark Administration Limited (**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 relevant Notes, (b) any uncertainty with respect to LIBOR (including in relation to the determination of the rate of interest payable on the Notes or under the Swaps) may adversely affect the secondary market liquidity and market value of the Notes 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 and the payment of interest thereunder.

EURIBOR Reform may affect the Value of the Class A1a Notes and the Payment of Interest Thereunder

The Euro Interbank Offered Rate (**EURIBOR**) is currently subject to various investigations and proposals for reform. If, in fact, the EURIBOR rate is manipulated or calculated in a manner that results in it being artificially low, the holders of the Class A1a Notes would receive payments of interest in amounts lower than would otherwise be the case if EURIBOR was not manipulated or artificially low. Investors should be aware that:

- (i) actions by regulators or law-enforcement agencies may affect EURIBOR (and/or the determination thereof) in unknown ways, which could adversely affect the value of the Notes. This could include a change in the methodology of setting EURIBOR; and
- (ii) any uncertainty in the value of EURIBOR or the development of a widespread market view that EURIBOR has been or is being manipulated may adversely affect the secondary market liquidity and market value of the Notes.

Currency and Interest Rate Risk for the Class A1a Notes

Subscription amounts for the Class A1a Notes will be paid by investors in Euro and the Class A1a Notes will be denominated in Euro and will accrue interest at a rate calculated by reference to Three-Month EURIBOR. The Loans in the Portfolio are denominated in Sterling. Some of the Loans in the Portfolio pay a variable rate of interest and other Loans in the Portfolio pay a fixed rate of interest for a period of time. Pursuant to the Interest Rate Swap, the Issuer will swap these fixed rates of interest for amounts calculated by reference to Three-Month Sterling LIBOR. Amounts received by the Issuer in respect of Principal Receipts, Interest Receipts and amounts under the Interest Rate Swap will be in Sterling.

The Issuer will enter into a currency swap relating to the Class A1a Notes pursuant to the Currency Swap Agreement with the Currency Swap Provider to hedge against: (i) the currency mismatch and possible variance between (x) the Sterling Interest Receipts received under the Discretionary Rate Loans, the Tracker Rate Loans and the Discounted Variable Rate Loans, the Sterling amounts received under the Interest Rate Swap (the amounts under the Interest Rate Swap are calculated by reference to Three-Month Sterling LIBOR), and (y) the Euro interest amounts due in respect of the Class A1a Notes (which are calculated by reference to Three-Month EURIBOR); and (ii) the currency mismatch between the Sterling Principal Receipts received in respect of the Portfolio and the Euro principal amounts due on the Class A1a Notes (see "*Credit Structure*", below).

A failure by the Currency Swap Provider to make timely payments of amounts due under the Currency Swap Agreement will constitute a default thereunder. The Currency Swap Agreement provides that, with respect to the Class A1a Notes, the Euro amounts, owed by the Currency Swap Provider will be paid on each payment date under the Currency Swap Agreement (which corresponds to an Interest Payment Date or, in the case of the early redemption of the Rated Notes in full, on the date of such redemption). The Sterling amounts owed by the Issuer will be paid to the Currency Swap Provider on the same payment dates. To the extent that the Currency Swap Provider is not obliged, or otherwise defaults in its obligations, to provide the Issuer with an amount in Euro, equal to the full amount of interest and principal due on the Class A1a Notes on any payment date under the Currency Swap, the Issuer will be exposed to: (i) changes in, with respect to the Currency Swap, Euro/Sterling currency exchange rates, and (ii) possible variances between the (x) Three-Month EURIBOR payable on the Class A1a Notes, and (y) the rates of interest it receives under the Discretionary Rate Loans, the Tracker Rate Loans and the Discounted Variable Rate Loans, and the amounts it receives under the Interest Rate Swap (the amounts under the Interest Rate Swap are calculated by reference to Three-Month Sterling LIBOR). An increase in the rate of, with respect to the Currency Swap, Three-Month EURIBOR, relative to the amounts received by the Issuer could result in the Issuer having insufficient funds to make payments of interest on the Class A1a Notes or having to purchase more Euros to pay such interest amounts on the Class A1a Notes and therefore could adversely affect the amounts available to pay interest on the Notes. Moreover, if the Issuer is required to purchase any Euro amounts on any date in order to make payments of interest or principal then due on the Class A1a Notes and the Issuer cannot obtain an exchange rate in the market at least as favourable as that specified in the Currency Swap, this may adversely affect the amounts available to pay interest or principal on the Notes. Accordingly, unless one or more replacement currency swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes.

The Swap Agreements

Each Swap Provider will be obliged to make payments under the relevant Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law (other than any withholding or deduction required by Sections 1471 through 1474 of the Code (**FATCA**)), the Swap Provider will be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount that the Issuer would have received had no such withholding or deduction been required. The Swap Agreements will provide, however, that in case of a Tax Event, the Swap Provider may transfer its rights and obligations to another of its offices, branches or affiliates to avoid the relevant Tax Event. If a Swap Provider is unable to transfer its rights and obligations under the relevant Swap Agreement to another office, branch or affiliate, it will have the right to terminate such Swap Agreement. Upon such termination, the Issuer or the Swap Provider may be liable to make a termination payment to the other party.

In the event that a Swap Provider is downgraded below the Required Swap Ratings, the Issuer may terminate the relevant Swap Agreement if the Swap Provider fails to take certain remedial measures within the timeframe stipulated in such Swap Agreement. Such remedial measures may include providing collateral for the relevant Swap Provider's obligations under the relevant Swap Agreement, arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the Required Swap Ratings, procuring another entity with the Required Swap Ratings to become co-obligor or guarantor in respect of its obligations under the relevant Swap Agreement or taking such other action (which may include taking no action) that would result in the rating of the highest class of Rated Notes being maintained at, or restored to, the level it would have been at prior to the downgrade of such Swap Provider. However, in the event the Swap Provider is downgraded there can be no assurance that a co-obligor, guarantor or replacement swap provider will be found or that the amount of collateral provided will be sufficient to meet the Swap Provider's obligations. Unless one or more comparable replacement interest rate swaps and/or currency swaps (as applicable) are entered into, the Issuer may have insufficient funds to make payments due on the Notes. For more information on the Required Swap Ratings, see "*Triggers Tables—Rating Triggers Table—Interest Rate Swap Provider and Currency Swap Provider*" below.

If a Swap Provider posts any Swap Collateral to an account established for such purpose with a Swap Collateral Account Bank, such collateral will be utilised solely in returning collateral and making payments directly to the Swap Provider (and not in accordance with the relevant Priority of Payments) in accordance with the terms of the relevant Swap Agreement and the credit support annex entered into in connection with such agreement. Following the termination of a Swap Agreement, any Swap Collateral or the liquidation proceeds thereof which is not returned to the relevant Swap Provider as a termination payment or which is to be applied in acquiring a replacement swap shall constitute Available Revenue Receipts.

Each Swap Agreement will be terminable early by one party if an Early Termination Event occurs, which includes, *inter alia*, (i) an Event of Default or Termination Event (as defined in the Swap Agreements) occurring in relation to the other party; (ii) a Note Acceleration Notice being served; (iii) the Rated Notes being redeemed pursuant to Condition 7.4 (*Optional Redemption of the Rated Notes for Taxation or Other Reasons*); (iv) if any of the Transaction Documents to which a Swap Provider is not a party is amended without the prior written consent of that Swap Provider and that Swap Provider reasonably determines that such amendment would materially adversely affect the amount, timing or priority of any payments or deliveries due from the Issuer to the Swap Provider or from the Swap Provider to the Issuer; or (v) if the payee tax representations made by a Swap Provider proves to have been incorrect or misleading in any material respect. Events of default under the Swap Agreements in relation to the Issuer will be limited to (i) non-payment under the relevant Swap Agreement and (ii) insolvency events.

The Interest Rate Swap will terminate on the earlier of: (i) the Early Termination Date designated in accordance with the Interest Rate Swap Agreement following the occurrence of an Early Termination Event; (ii) the date on which the Rated Notes are redeemed in full in accordance with Condition 7.2 (*Mandatory Redemption of the Notes in Part*) or Condition 7.3 (*Optional Redemption of the Rated Notes in Full*); (iii) following the expiry of the Revolving Period, the Interest Payment Date immediately following the Collection Period End Date on which the aggregate Performing Balance of the Fixed Rate Loans in the Portfolio is reduced to zero; and (iv) 17 April 2063.

The Currency Swap will terminate on the earlier of (i) the Early Termination Date designated in accordance with the Currency Swap Agreement following the occurrence of an Early Termination Event; (ii) the date on which the Class A1a Notes are redeemed in full in accordance with Condition 7.2 (*Mandatory Redemption of the Notes in Part*) or Condition 7.3 (*Optional Redemption of the Rated Notes in Full*); and (iii) 17 April 2063.

If a replacement swap is entered into following an Early Termination Event, this may be on terms less favourable to the Issuer and therefore may mean that reduced amounts are available for distribution by the Issuer to the Secured Creditors (including, *inter alia*, the Noteholders). The Issuer may not be able to enter into a replacement swap with a replacement swap provider immediately or at a later date. If a replacement interest rate swap provider cannot be found, the risk of a difference between the rate of interest to be received by the Issuer on the Fixed Rate Loans in the Portfolio and the rate of interest payable by the Issuer on the Notes (other than the Class A1a Notes) will not be hedged, and so the funds available to the Issuer to pay any interest on the Notes may be insufficient if the interest revenues received by the Issuer on such Fixed Rate Loans in the Portfolio are substantially lower than the rate of interest payable by it on the Notes. If a replacement currency swap provider cannot be found, the risk of (i) changes in Euro/Sterling currency exchange rates and (ii) possible variances between interest amounts calculated by reference to Three-Month EURIBOR payable on the Class A1a Notes and the rates of interest the Issuer receives under the Discretionary Rate Loans, the Tracker Rate Loans and the Discounted Variable Rate Loans and the amounts it receives under the Interest Rate Swap (such amounts under the Interest Rate Swap are calculated by reference to the Three-Month Sterling LIBOR), will not be hedged. Accordingly the funds available to the Issuer to pay interest or principal on the Notes may be insufficient if the interest revenues received by the Issuer on the Discretionary Rate Loans, the Tracker Rate Loans and the Discounted Variable Rate Loans, and the amounts it receives under the Interest Rate Swap are substantially lower than the rate of interest payable by it on the Class A1a Notes. Moreover, if the Issuer is required to purchase any Euro amounts on any date in order to make payments of interest or principal then due on the Class A1a Notes, and the Issuer cannot obtain an exchange rate in the market at least as favourable as that specified in the Currency Swap, this may adversely affect the amounts available to pay interest or principal on the Notes. In these circumstances, the holders of Notes may experience delays and/or reductions in the interest and/or principal payments to be received by them and the Rated Notes may also be downgraded.

Termination Payments under the Swaps

Each Swap Agreement will provide that, upon the occurrence of certain events, the Swap may terminate and a termination payment by either the Issuer or the Swap Provider may be payable, depending on, among other things, the terms of such Swap and the cost of entering into a replacement transaction at the time. Any termination payment due by the Issuer other than an Interest Rate Swap Excluded Termination Amount or Currency Swap Excluded Termination Amount (and to the extent not satisfied by any applicable Replacement Swap Premium or, in certain circumstances and/or to a limited extent, amounts standing to the credit of any Swap Collateral Account(s), if any, which shall in each case be paid directly by the Issuer to the Swap Provider), will rank prior to payments in respect of the Notes and could affect the availability of sufficient funds of the Issuer to make payments of amounts due from it under the Notes in full. Interest Rate Swap Excluded Termination Amounts and Currency Swap Excluded Termination Amounts will rank prior to payments in respect of the Subordinated Note and could affect the availability of sufficient funds of the Issuer to make payments of amounts due from it to the holder of the Subordinated Note. If any termination amount is payable, payment of such termination amount may adversely affect amounts available to pay interest and principal on all the Notes.

Any additional amounts required to be paid by the Issuer following termination of a Swap (including any extra costs incurred in entering into replacement swaps) will also rank prior to payments in respect of the Notes. This may adversely affect amounts available to pay interest and principal on all the Notes.

No assurance can be given as to the ability of the Issuer to enter into one or more replacement transactions, or if one or more replacement transactions are entered into, as to the credit rating of the swap provider for the replacement transactions.

Book-Entry Interests

Unless and until Definitive Notes are issued in exchange for book-entry interests (the **Book-Entry Interests**), holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of the relevant Rated Notes under the Trust Deed. After payment to the Principal Paying Agent or the relevant Clearing System, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts in respect of the Rated Notes to the relevant Clearing System or to the holders or beneficial owners of Book-Entry Interests.

The Rated Notes will be represented by Global Notes delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg, and will not be held by the beneficial owners or their nominees. The Global Notes will not be registered in the names of the beneficial owners or their nominees. As a result, unless and until Rated Notes in definitive form are issued, beneficial owners will not be recognised by the Issuer or the Note Trustee as Noteholders, as that term is used in the Trust Deed. Accordingly, each person owning a Book-Entry Interest must rely on the procedures of the relevant Clearing System 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.

Payments of principal and interest on, and other amounts due in respect of, each Global Note will be made by the Principal Paying Agent to the order of the Common Safekeeper for Euroclear and Clearstream, Luxembourg against presentation of such Global Note. Upon receipt of any payment from the Principal Paying Agent, the relevant Clearing System will promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests as shown on their records. The Issuer expects that payments by participants or indirect payments to owners of Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Security Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike Noteholders, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by or on behalf of the Issuer for consents or requests by or on behalf of the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from the relevant Clearing System 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 the relevant Clearing System unless and until Definitive Notes are issued in accordance with the relevant provisions described herein under "*Terms and Conditions of the Notes*" below. There can be no assurance that the procedures to be implemented by the relevant Clearing System under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

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

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

Notes Where Denominations Involve Integral Multiples

The Notes have a denomination consisting of a minimum authorised denomination of £100,000 plus higher integral multiples of £1,000 thereafter (or, with respect to the Class A1a Notes, €100,000 plus higher integral multiples of €1,000). Accordingly, it is possible that 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, a

Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum authorised denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to the minimum authorised denomination (or another relevant denomination amount).

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

Certain Material Interests

The Arranger and the Joint Lead Managers are global financial institutions that provide a wide range of financial services to a diversified global client base. As such, any of the Arranger or the Joint Lead Managers may be involved in a broad range of transactions both for their own account and that of other persons which may result in actual or potential conflicts of interest arising in the ordinary course of business.

Bank of America Merrill Lynch, Citigroup and Sabadell are acting as Joint Lead Managers. Wells Fargo is acting as Interest Rate Swap Provider and Currency Swap Provider. Citibank London Branch will act as the Issuer Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar, a Swap Collateral Account Bank and the Common Service Provider. Structured Finance Management Limited will act as Back-Up Facilitator and Corporate Services Provider. Other parties to the transaction may also perform multiple roles, including TSB, who will act as (among other roles) the Servicer and the Cash Manager.

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

Accordingly, conflicts of interest may exist or may arise as a result of parties to this transaction: (i) having previously engaged or in the future engaging in transactions with other parties to the transaction; (ii) having multiple roles in this transaction; and/or (iii) carrying out other roles or transactions for third parties.

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 the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Subordinated Noteholder and the Retention Noteholder equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise).

If, in the Note Trustee's opinion, however, there is or may be a conflict between the interests of the holders of one Class of Notes and the holders of another Class of Notes, the Note Trustee will be required to have regard only to the holders of the Class A Notes and will not have regard to any lower ranking Class of Notes nor to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds in accordance with the relevant Priority of Payments.

As a result, holders of Notes other than the Controlling 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.

Investors should also be aware that the Retention Noteholder will, on the Closing Date, purchase the Retention Note in order to comply with EU Risk Retention Requirements and U.S. Credit Risk Retention Requirements. The Retention Note is an EVI equal to a minimum of 5 per cent. of the aggregate Principal Amount Outstanding of each Class of Notes and other ABS interests (as defined in the U.S. Credit Risk Retention Requirements) issued by the Issuer (other than the EVI) and it represents significant holdings. The Seller or its affiliates are under no obligation to consider the interests of other Noteholders when exercising their rights under the Notes (with respect to not only the Retention Note but also any other Notes which they may own) and may exercise voting rights in respect of the Notes held by it in a manner that may be prejudicial to other Noteholders.

The Class B Notes, the Class C Notes, the Retention Note and the Subordinated Note will be subject to the Interests of the Controlling Class

The Conditions also provide for resolutions of Noteholders to be passed by Written Resolution of the Controlling Class, including resolutions that amend, reduce or cancel certain rights of the Noteholders against the Issuer, and the Trust Deed provides that any resolution passed by the Controlling Class will be binding on the other Classes. In the event that the Note Trustee receives conflicting or inconsistent directions or requests from two or more groups of holders of the Controlling Class, the Note Trustee will give priority to the group which holds the greatest principal amount of Notes outstanding of the Controlling Class. The rights of Noteholders under the Trust Deed are subject in such situations to the Written Resolutions of the Controlling Class.

The Class A Notes will be the Controlling Class for so long as any Class A Notes are outstanding (with the holders of the Class A1a Notes, the Class A1b Notes, the Class A2 Notes and the Class A3 Notes acting or voting together as a single Class of Noteholders if the Note Trustee, in its absolute discretion, is satisfied that there is no conflict between them). Where, in the sole opinion of the Note Trustee, the interests of the Noteholders of a Class of the Class A Notes which are outstanding conflict with the interests of the Noteholders of another Class of the Class A Notes which are outstanding, a written direction to, or an Extraordinary Resolution directing, the Note Trustee to take any action must be given in separate written directions of each such Class of the Class A Notes or passed at each of the separate meetings of the holders of each such Class of Class A Notes or given in a separate Written Resolution of each such Class of the Class A Notes as set forth in Condition 3.1(f) in order for such direction to be effective. When the Class A Notes have been paid in full, the Class B Notes will be the Controlling Class for so long as any Class B Notes are outstanding. When the Class A Notes and the Class B Notes have been paid in full, the Class C Notes will be the Controlling Class for so long as any Class C Notes are outstanding. When the Class A Notes, the Class B Notes and the Class C Notes have been paid in full, the Subordinated Note will be the Controlling Class. For the purposes of determining the Controlling Class, the Retention Noteholder shall be deemed to be a Noteholder of each Class of Notes based on the Principal Amount Outstanding of the portion of the Retention Note comprised by the relevant Retention Note Tranche corresponding to such Class of Notes; provided that, for certain purposes set out in Condition 2.1, those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller and any Subsidiary of the Seller, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the any Relevant Persons, where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons as set out in Condition 2.1.

Therefore, so long as the Class A Notes are the Controlling Class, the Controlling Class may not have regard to the interests of the Class B Notes, the Class C Note, the Subordinated Note and the Retention Noteholder when passing resolutions that amend, reduce or cancel certain rights of such Noteholders against the Issuer.

Conflict 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, subject to the applicable provisions of the Conditions and the Trust Deed.

Meetings of Noteholders, Modification and Waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. See Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

The Conditions also provide that the Note Trustee may agree and/or may direct the Security Trustee to agree, without the consent of the Noteholders or the other Secured Creditors (but only with the written consent of the Secured Creditors which are a party to the relevant Transaction Document), (i) (other than in respect of a Basic Terms Modification) to any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions of the Notes or any of the Transaction Documents which is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders or (ii) to any modification to the Conditions of any of the Transaction Documents which, in the Note Trustee's or, as the case may be, the Security Trustee's, opinion, is of a formal, minor or technical nature or to correct a manifest

error. The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such agreement will not be materially prejudicial to the interests of the Noteholders, agree (or direct the Security Trustee to agree) that an Event of Default shall not, or shall not subject to any specified conditions, be treated as such. See Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) below.

Each Swap Provider's written consent is required to modify any Transaction Document to which it is not a party if such modification would, in the opinion of the relevant Swap Provider, have the effect of altering the amount, timing or priority of payments or deliveries due from the Issuer to that Swap Provider or from that Swap Provider to the Issuer. In particular, pursuant to the Swap Agreements, any amendment to any of the Transaction Documents without the prior written consent of the relevant Swap Provider that such Swap Provider reasonably determines would materially adversely affect the amount, timing or priority of any payments or deliveries due from the Issuer to the Swap Provider or from the Swap Provider to the Issuer can result in the termination of the relevant Swap Agreement in accordance with its terms.

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

Each Noteholder should also note that the Seller or any of its Subsidiaries may from time to time hold Notes issued by the Issuer. Pursuant to the terms of the Trust Deed, and subject to certain exceptions, the Notes held or controlled for or by the Seller or any of its Subsidiaries will not be taken into account by the Note Trustee for the purposes of: (i) the right to attend and vote at any meeting of the Noteholders of any Tranche or any written resolution, (ii) the determination of how many and which Notes are outstanding for the purposes of action and proceedings by the Note Trustee, meetings of the Noteholders, events of default and enforcement, (iii) any discretion, power or authority which the Note Trustee is required to exercise by reference to the interests of the Noteholders of any Class and (iv) the determination by the Note Trustee of whether something is materially prejudicial to the interests of the Noteholders of any Class.

The Note Trustee shall be obliged, without any consent or sanction of the Noteholders, or, subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified, any of the other Secured Creditors, to concur and to direct the Security Trustee to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to the Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security or enter into any new, supplemental or additional documents that the Issuer (in each case) considers necessary (acting in its own discretion or at the direction of any transaction party) in order to enable the Issuer to (a) comply with any obligations which apply to it under EMIR, (b) comply with, or implement or reflect, any change in the criteria of one or more of the Rating Agencies, (c) comply with any changes in the EU Risk Retention Requirements, (d) list (or maintain the listing of) the Rated Notes on the London Stock Exchange, (e) comply with FATCA, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto, (f) comply with any applicable liquidity coverage requirements, or (g) comply with any changes in the requirements of the CRA Regulation, subject, in each case, to certain certification and ratings requirements, including that the Issuer certifies in writing to the Note Trustee and the Security Trustee that (I) the Issuer has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 15 (*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 Controlling Class 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 Controlling Class 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 Controlling Class is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver*).

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.

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 Security Trustee) in the Transaction Documents and/or the Conditions of the Notes.

See further Condition 12.9 (*Additional Right of Modification*) below.

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

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 at least 25 per cent. in aggregate Principal Amount Outstanding of the Controlling Class of Notes or if so directed by an Extraordinary Resolution of the Noteholders of the Controlling Class of Notes, shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed.

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

- (b) it shall have been directed to do so by Extraordinary Resolution(s) of the Noteholders of the Controlling Class; and
- (c) it shall have been indemnified and/or secured and/or prefunded to its satisfaction,

provided that the Note Trustee or the Security Trustee shall not, and shall not be bound to, act at the direction of the Subordinated Noteholder or the Retention Noteholder as aforesaid so long as any Class A Notes, Class B Notes or Class C Notes are outstanding. If neither the Note Trustee nor the Security Trustee use their discretion where they have not been directed as described above, it may adversely affect the ability of the Issuer to make payments on the Notes following the service of a Note Acceleration Notice. See Condition 10 (*Events of Default*) 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.

Third Party Risk

Issuer Reliance on Third Parties

The Issuer is party to contracts with a number of third parties in addition to TSB Bank, as Servicer and Cash Manager, who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Issuer Account Bank has agreed to provide the Issuer Transaction Account to the Issuer pursuant to the Bank Account Agreement, the Swap Providers have agreed to provide hedging to the Issuer pursuant to the Swap Agreements, the Swap Collateral Account Bank(s) will agree to provide the Swap Collateral Accounts to the Issuer pursuant to the Swap Collateral Account Bank Agreement(s), the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement and to act as Back-Up Facilitator under the Servicing Agreement and the Cash Management Agreement and the Paying Agents 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, Noteholders may be adversely affected.

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, each Swap Provider and/or the Swap Collateral Account Bank(s)) are required to satisfy certain criteria in order to 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, unguaranteed and unsecured ratings ascribed to such party by Moody's and Fitch. If the party concerned ceases to satisfy the applicable criteria, including any ratings criteria, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. This may reduce amounts available to the Issuer to make payments of interest on the Notes.

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

Portfolio Risks

Decline in House Prices may Adversely Affect the Performance and Market Value of the Notes

The value of the Related Security in respect of the Loans may be affected by, among other things, a decline in the residential property values in the United Kingdom. If the residential property market in the United Kingdom should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Related Security being significantly reduced 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 provided in the indexed valuation related to such Property will remain at the same level as on the Reference Date. Downturns in the United Kingdom economy generally have a negative effect on the housing market. A fall in property prices resulting from a deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem the outstanding loan. If the value of the Related Security backing the Loans is reduced this may ultimately result in losses to Noteholders if the Related Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes.

Should house prices decline, Borrowers may have insufficient equity to refinance their Loans with lenders other than the Seller and may have insufficient resources to pay amounts in respect of their Loans as and when they fall due. This could lead to higher delinquency rates and losses which in turn may adversely affect payments on the Notes.

Changing Characteristics of the Portfolio during the Revolving Period

During the Revolving Period, the amounts that would otherwise be used to repay the principal on the Notes may be used to purchase Further Advances and New Portfolios from the Seller. The Loans comprising the Initial Portfolio and New Portfolios may also be prepaid or default during the Revolving Period, and therefore the characteristics of the Portfolio may change after the Closing Date, and could be substantially different at the end of the Revolving Period from the characteristics of the pool of Loans comprising the Initial Portfolio. These differences could result in faster or slower repayments or greater losses on the Notes.

Because of payments on the Loans and purchases of Further Advances and New Portfolios during the Revolving Period, concentrations of Borrowers in the pool may be substantially different from the concentration that exists on the Closing Date. Such concentration or other changes of the pool could adversely affect the delinquency, or credit loss, of the Loans.

Insurance Policies

The policies of the Seller in relation to buildings insurance are described under “*Description of the Loans—Insurance Policies—Borrower-arranged buildings insurance*” below. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts. This could adversely affect the Issuer’s ability to redeem 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 these risk factors. Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of the Borrowers in that region or the region that relies most heavily on that industry. In addition, any natural disasters in a particular region may reduce the value of affected Properties. This may result in a loss being incurred upon sale of the Property. These circumstances could affect receipts on the Loans and ultimately result in losses on the Notes. For an overview of the geographical distribution of the Loans in the Provisional Portfolio as at the Reference Date, see “*Characteristics of the Provisional Portfolio—Geographical Distribution*”.

Increases in Prevailing Market Interest Rates may Adversely Affect the Ability of Borrowers to Pay Amounts due under the Loans

The Bank of England Base Rate has been and is as at the date of this Prospectus, lower than average historic base rates in the Bank’s history. Notwithstanding this, there has been a pattern of mortgage interest rates generally increasing, which may increase further if the Bank of England Bank Rate is increased. Increases in mortgage interest rates result in borrowers with a mortgage loan subject to a variable rate of interest or with a mortgage loan for which the related interest rate adjusts following a low introductory rate, as applicable, being exposed to increased Monthly Payments as and when the related mortgage interest rate adjusts upward (or, in the case of a mortgage loan with a low introductory rate, at the end of the relevant introductory period). The increase in borrowers’ required Monthly Payments, which (in the case of a mortgage loan with a low introductory rate) may be compounded by any further increase in the related mortgage interest rate during the relevant introductory period, ultimately may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid increased Monthly Payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, the Standard Variable Rate cap at 2.0 per cent. over the Bank of England Base Rate in the Seller’s mortgage terms means that the reversionary rate for certain Borrowers reaching the end of their fixed or tracker periods is currently lower than prevailing market rates. This means that it is less likely that such Borrowers will refinance. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment spreads and higher losses on the Loans which could have an adverse effect on the Issuer’s ability to make payments under the Notes.

Searches, Investigations, Representations and Warranties in relation to the Loans

The Seller will give certain representations and warranties to each of the Issuer and the Security Trustee regarding the Initial Loans and their Initial Related Security sold to the Issuer on the Closing Date and will give similar representations and warranties to each of the Issuer and the Security Trustee regarding any new Loans and their Related Security sold to the Issuer on any Sale Date. See “*Summary of the Key Transaction Documents—Mortgage Sale Agreement—Representations and Warranties*” below for a summary of these.

Neither the Security Trustee 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 representations and warranties given in the Mortgage Sale Agreement by the

Seller. The primary remedy of the Issuer against the Seller with respect to a Loan if any of the representations or warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date or the Sale Date, as applicable, which breach is not remedied within 20 Business Days of receipt by the Seller of a notice from the Issuer, shall be to require the Seller to repurchase such Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

It should also be noted that any warranties made by the Seller in relation to a New Portfolio, Further Advances and/or Product Switches may be amended from time to time and differ from the warranties made by the Seller at the Closing Date without the consent of the Noteholders provided that the Security Trustee has given its consent to such amendments (and for such purpose, the Security Trustee may, but is not obliged to, have regard to whether the Rating Agencies have confirmed that they will not downgrade, withdraw or qualify the ratings of the Notes as a result of those amendments (and, for the avoidance of doubt, the Rating Agencies will not be required to provide such confirmation)). Changes to the warranties may affect the quality of Loans in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

Interest-Only Loans

Each Loan may be repayable either on a capital repayment basis, an interest-only basis or a combination capital repayment/interest payment basis. See “*Description of the Loans—Repayment Terms*” below. Where a Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Seller recommends, as part of its origination practice, that the relevant Borrower puts into place some form of repayment mechanism to ensure that funds will be available to repay the capital at the end of the mortgage term, such as an investment policy or life insurance policy. However, the Seller has not always required proof of any such repayment mechanism and does not take security over any investment policies or life insurance policies taken out by Borrowers.

In addition, even if a Borrower has invested in a repayment mechanism, such Borrower may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest-Only Loan at maturity without resorting to the sale of the underlying property depends on such Borrower’s responsibility in ensuring that sufficient funds are available from a different source. If a Borrower cannot repay an Interest-Only Loan and a Loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

Seller to Initially Retain Legal Title to the Loans

The sale by the Seller to the Issuer of the English Loans and 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 one or more Scottish Declarations of Trust by the Seller by which the beneficial interest in such Scottish Loans and their Related Security is held in trust by the Seller for the benefit of the Issuer. In each case, this means that legal title to the Loans and their Related Security in the Portfolio will remain with the Seller until certain trigger events occur under the terms of the Mortgage Sale Agreement. See “*Summary of the Key Transaction Documents—Mortgage Sale Agreement*” below. The Issuer has not and will not apply to the Land Registry to register or record its equitable interest in the English Mortgages and may not in any event apply to the General Register of Sasines or Land Register of Scotland (as appropriate) (together the **Registers of Scotland**) to register or record its beneficial interest in the Scottish Mortgages pursuant to the Scottish Declarations of Trust.

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security or the Properties secured thereby, a *bona fide* purchaser from the 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 fraud, negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents.

Further, prior to the insolvency of the Seller, unless (i) notice of the assignment was given to a Borrower who is a creditor of the Seller in the context 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 a Borrower who is a creditor of the Seller, equitable or independent set-off rights may accrue in favour of the 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 the Borrower may become entitled to after the transfer. Where notice of the assignment is given to the Borrower or an assignation is effected and notice thereof is given, however, some rights of set-off may not arise after the date notice is given.

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

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

Once notice has been given to the Borrowers of the assignment or assignation (as appropriate) of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller (such as, for example, set-off rights associated with Borrowers holding deposits with 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" (which are set-off claims arising out of a transaction connected with the Loan) will not be affected by that notice and will continue to exist.

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

Further Advances and Product Switches

At any time prior to the redemption in whole of the Notes and subject to satisfaction of certain conditions, if a Borrower requests or the Seller (or the Servicer on behalf of the Seller) offers, the Seller may (but is not obliged to), make a Further Advance or Product Switch under the relevant Loan. Any Further Advance made to a Borrower with respect to a Loan will be transferred to the Issuer on the Advance Date and the Issuer will pay the Seller the Further Advance Purchase Price on the Monthly Pool Date falling in the Monthly Period immediately following the relevant Advance Date.

Any Loan subject to a Further Advance or a Product Switch will remain in the Portfolio (subject to a further Scottish Declaration of Trust being declared in respect each Scottish Loan subject to a Product Switch or a Further Advance, if required, on or prior to the Monthly Pool Date falling in the Monthly Period immediately following the relevant Switch Date or Advance Date, as applicable) unless the Issuer subsequently determines that such Further Advance is a Non-Eligible Further Advance, that such Product Switch is a Non-Eligible Product Switch, or that any Loan Warranty made with respect to such Loan was materially untrue or determines that the Loan does not meet the Loan Warranties as at the relevant Advance Date or Switch Date (as applicable). In these circumstances, the Seller will be required to offer to repurchase the relevant Loan and its Related Security from the Issuer. See further "*Summary of the Key Transaction Documents—Mortgage Sale Agreement—Repurchase by the Seller*".

It should be noted that any warranties made by the Seller in relation to a Further Advance and/or a Product Switch may be amended from time to time and such changes will be notified to the Rating Agencies. The consent of the Noteholders in relation to such amendments will not be required if the Security Trustee has given its prior consent to such amendment (and for such purpose, the Security Trustee may, but is not obliged to, have regard to any confirmation from each of the Rating Agencies that it will not downgrade, withdraw or qualify the ratings of the Notes as a result of those amendments). Where the Seller is required to repurchase Loans because the warranties are not true or where the Seller is permitted to repurchase a Loan which is a Non-Compliant LCR Loan, a Non-Compliant ECB Loan or a Non-Compliant Solvency II Loan,

there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Either of these circumstances may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes.

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

Characteristics of the Initial Portfolio

The Initial Portfolio will be randomly selected from the Provisional Portfolio on the Closing Date and sold to the Issuer on the Closing Date. The characteristics of the Initial Portfolio, therefore, will differ from those set out below under “*Characteristics of the Provisional Portfolio*” as a result of, *inter alia*, the random selection from the Provisional Portfolio, repayments and redemptions of the Loans from the Reference Date to the Closing Date and removal of any Loans which do not comply with the Loan Warranties as at 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 for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Although interest rates are currently at a historical low, this may change in the future and an increase in interest rates may adversely affect Borrowers’ ability to pay interest or repay principal on their Loans. Other factors in Borrowers’ individual, personal or financial circumstances may also affect their ability to repay their Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

Certain Legal and Regulatory Considerations

General

Below are risk factors relating to regulatory considerations concerning certain relevant governing bodies. No assurance can be given that additional regulatory changes by the FCA or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller’s particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Seller, the Issuer, the 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.

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

The Banking Act 2009 (the **Banking Act**) includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including authorised and established entities including deposit-taking institutions and investment firms and powers to recognise and give effect to certain resolution actions in respect of the European Economic Area (the **EEA**) and 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. The relevant transaction entities for these purposes include the Seller and the Servicer.

The tools available under the Banking Act may be used in respect of relevant institutions and, in certain circumstances, their UK established banking group companies and such tools include share and property transfer powers (including powers for partial property transfers), bail-in powers, certain ancillary powers

(including powers to modify contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities. It is possible that the extended tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made and, in certain circumstances, the UK authorities may exercise broad pre-resolution powers in respect of relevant entities with a view to removing impediments to the exercise of the stabilisation tools.

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

If an instrument or order were to be made under the provisions of the Banking Act currently in force in respect of a relevant entity as described above, such action may (amongst other things) affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in the cancellation, modification or conversion of certain unsecured liabilities of such entity under the Transaction Documents or in other modifications to such documents. In particular, modifications may be made pursuant to powers permitting (i) certain trust arrangements to be removed or modified, (ii) contractual arrangements between relevant entities and other parties to be removed, modified or created where considered necessary to enable a transferee in the context of a property or share transfer to operate the transferred business effectively and (iii) in connection with the modification of an unsecured liability through use of the bail-in tool, the discharge of a relevant entity from further performance of its obligations under a contract. In addition, subject to certain conditions, powers would apply to require a relevant instrument or order (and related events) to be disregarded in determining whether certain widely defined "default events" have occurred (which events may include trigger events included in the Transaction Documents in respect of the relevant entity, including termination events and (in the case of 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 a result of amendments made to the Banking Act in connection with the implementation in the UK of the EU Bank Recovery and Resolution Directive from 1 January 2015 the UK authorities may exercise the stabilisation tools and powers under the Banking Act in respect of a wider range of entities.

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 EEA-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 EEA state other than the UK and/or certain group companies (such as Wells Fargo in its capacity as Interest Rate Swap Provider and Currency Swap Provider) 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.

European Market Infrastructure Regulation

EMIR, which entered into force on 16 August 2012, establishes certain requirements for OTC derivatives 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 any of the specified clearing thresholds (**NFC+s**, and together with FCs, the **In-scope Counterparties**) must clear OTC derivatives contracts that are entered into on or after the effective date for the clearing obligation for that counterparty pair (the **Clearing Start Date**). In addition, some market participants will have to, from the relevant Clearing Start Date, clear relevant transactions entered into during a given period leading up to the relevant Clearing Start Date, a requirement known as “frontloading”. Contracts which are declared subject to the clearing obligation will have to be cleared through an authorised or recognised central counterparty (**CCP**) when In-scope Counterparties trade with each other or with equivalent third country entities unless an exemption applies. Subject to certain conditions, intragroup transactions will not be subject to the clearing obligation. At this moment CCPs have been authorised to offer services and activities in the European Union in accordance with EMIR and following the entry into force on 21 December 2015 of the delegated regulation (the **IRS Clearing RTS**) relating to the introduction of the mandatory clearing obligation for certain interest rate swap transactions in USD, EUR, GBP and JPY (**G4 IRS Contracts**), there is now a concrete timeframe for the first classes of transactions subject to mandatory clearing and frontloading. The IRS Clearing RTS include a further categorisation of In-scope Counterparties by splitting In-scope Counterparty types into Category 1, 2, 3 and 4. This further categorisation impacts the relevant Clearing Start Date and whether frontloading applies. The clearing obligation for G4 IRS Contracts will start from 21 June 2016 for Category 1 counterparties, 21 December 2016 for Category 2 counterparties, 21 June 2017 for Category 3 counterparties and 21 December 2018 for Category 4 counterparties. 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 and frontloading requirements.

Under EMIR, OTC derivatives contracts that are not cleared by a CCP may be subject to margining requirements, which are to be phased in from 1 September 2016. The regulatory technical standards relating to the collateralisation obligations in respect of OTC derivatives contracts which are not cleared have not yet been adopted. In any event, 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.

Further, 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 techniques, 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 ESMA.

Key details in respect of the clearing obligation and the margin posting requirements are to be provided through corresponding RTS. The European Supervisory Authorities recently published the final draft RTS on margin requirements for non-centrally cleared OTC derivatives, which now awaits formal adoption by the European Commission.

EMIR may, *inter alia*, lead to more administrative burdens and higher costs 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 be liable for a fine. If such fine is imposed on the Issuer, this may also reduce the amounts available to make payments with respect to the Notes.

Finally, in order to enable the Issuer and/or any Swap Counterparty to comply with any obligation which applies to it under EMIR, amendments may be made to the Transaction Documents or the Conditions without the consent of the Noteholders and without the consent of any Secured Creditors (other than those Secured Creditors who are party to the relevant Transaction Document(s)) provided that the Issuer or the relevant Swap Counterparty, as appropriate, certifies in writing to the Security Trustee, the Note Trustee and the relevant Swap Counterparty or Issuer, as applicable, that such amendment is required solely for the purpose of enabling it to satisfy such obligation and has been drafted solely to such effect, as described above under “*Meetings of Noteholders, Modification and Waiver*”.

Eurosystem Eligibility

Certain of the Notes may be intended to be held in a manner which will allow Eurosystem eligibility. This means that such Notes are intended upon issue to be deposited with one of Euroclear or Clearstream Luxembourg and does not necessarily mean that such Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will, *inter alia*, depend upon satisfaction of the Eurosystem eligibility criteria set out in the Guideline 2015/510 of the European Central Bank on the implementation of the Eurosystem monetary policy framework (recast) (ECB/2014/60) as amended and applicable from time to time.

If such Notes do not satisfy the criteria specified by the ECB, they will not be eligible collateral for the Eurosystem. Each of the Issuer, the Seller, the Arranger, the Joint Lead Managers, the Security Trustee and the Note Trustee gives no representation, warranty, confirmation or guarantee to any investor in such Notes that such Notes will, either upon issue, or at any or at all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem eligible collateral. Any potential investor in such Notes should make its own conclusions and seek its own advice with respect to whether or not such Notes constitute Eurosystem eligible collateral.

Home Owner and Debtor Protection (Scotland) Act 2010

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

Legal Considerations may Restrict Certain Investments

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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

UK Government Scheme Guarantee Not Applicable

In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to Borrowers for the purchase of new homes. The shared equity loans were available from 1 April 2013. The second involves a guarantee provided by the UK Government for loans made to borrowers allowing up to a 95 per cent. loan to value ratio. The guarantee loans were available from 1 October 2013. The Loans in the Portfolio do not benefit from any guarantee provided under the Help to Buy Scheme.

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 the Issuer 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 administrative 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.

Financial Conduct Authority and Other Regulatory Authorities

Since 1 April 2014, the FCA has been responsible for the supervision of consumer credit activities in the UK. Firms carrying out consumer credit activities must either be authorised or exempt under FSMA. Firms may apply for either full permission where they carry out higher risk consumer credit activities or limited permission for lower risk activities. Firms that held an Office of Fair Trading (**OFT**) licence and had registered with the FCA by 31 March 2014 were granted interim permission in respect of those categories of regulated activities which it was authorised to carry on under the OFT regime. Firms were required to apply to the FCA for authorisation (i.e. permanent permission) during an application period notified by the FCA to each firm in order to continue to lawfully perform those activities. Firms which held an interim permission and made an application to the FCA for authorisation within the period notified to them by the FCA will keep their interim permission until such time as a determination is made on their application for authorisation. In other cases, the interim permission will have expired at the end of the application period notified by the FCA if no application was made or, in any other case, 1 April 2016. Authorised firms and interim permission holders must comply with the relevant provisions of FSMA and related secondary legislation, the rules in the FCA's Consumer Credit Sourcebook (**CONC**) and the provisions of the Consumer Credit Act 1974 (the **CCA**) and related secondary legislation which have been retained following the transfer of consumer credit regulatory functions from the OFT to the FCA. Although the scope of consumer credit regulation under the new regime remains broadly the same (subject to certain specific exceptions), various changes have been made both in scope and in the drafting of specific provisions. As a result of these changes, and given the novelty of the new regime under the FCA, there is some uncertainty as to how the consumer credit rules will be applied and enforced going forward.

A credit agreement is regulated by the CCA where: (a) the borrower is an individual or relevant recipient of credit as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the **RAO**) (which includes certain small partnerships and certain unincorporated associations); (b) if the credit agreement was made before the financial limit was removed (as described below), the amount of credit did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998 or lower amounts for credit agreements made before that date; and (c) the credit agreement is not an exempt agreement. Exempt agreements include Regulated Mortgage Contracts under the FSMA and credit agreements where the amount of credit exceeds £25,000 and the agreement is entered into by the borrower wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the borrower.

Credit agreements entered into before 1 April 2014, with persons who were not authorised to enter into a regulated consumer credit agreement as lender will be unenforceable against the borrower: (a) unless the OFT has, prior to 1 April 2014, made an order in favour of enforcement; or (b) the FCA, upon being satisfied that it is just and equitable to do so, by written notice allows the agreement to be enforced or the money paid or the property transferred under the agreement to be retained. An improperly executed agreement is only enforceable with a court order and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender. However, if the regulated credit agreement was made before 6 April 2007 and the form of credit agreement was not signed by the borrower personally or omits or misstates a "prescribed term", then that agreement will be totally unenforceable against the borrower and the court will have no discretion to make an enforcement order.

The Seller will provide no representation and warranty under the Mortgage Sale Agreement as to the enforceability in relation to any Loan which relates to any cash withdrawals and any other further advances made pursuant to an agreement regulated under the consumer credit regime which is not enforceable by virtue of the CCA or other relevant consumer credit rules.

There is a risk that any credit agreement intended to be a Regulated Mortgage Contract under the FSMA, or unregulated, might instead be wholly or partly regulated under the consumer credit regime or treated as such, and any credit agreement intended to be regulated under the consumer credit regime or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on: (a) determining whether any credit arises, or whether any applicable financial limit of the CCA is exceeded; (b) determining whether the credit agreement is an exempt agreement (for example, certain types of credit agreement to finance the purchase of, or alteration to, homes or business premises, or Regulated Mortgage Contracts under the FSMA); or (c) changes to regulated credit agreements.

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

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with the requirements as to licensing or authorisation of lenders and brokers, documentation and procedures of credit agreements, and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements then, to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower: (a) without an order of the FCA or the court, if the lender or broker did not hold the required licence or authorisation at the relevant time; (b) totally, for agreements entered into before 6 April 2007, if the form to be signed by the borrower was not signed by the borrower personally or omits or misstates a "prescribed term"; or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender. A court order under section 126 of the CCA is necessary to enforce a land mortgage (or, in Scotland a standard security) securing a regulated credit agreement or a Regulated Mortgage Contract under the FSMA. In dealing with such an application, the court has the power, if it appears just to do so, to amend a credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared). Any such amendment or condition could change the repayment profile and/or amounts recoverable from the borrower and may adversely impact the issuer's ability to make payments on the notes.

Under sections 75 and 75A of the CCA in certain circumstances the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by a credit agreement that is wholly or partly regulated by the CCA or treated as such. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of a rule under the FSMA. From 1 April 2014, such rules include the rules in CONC.

The Borrower may set off the amount of the claim against the lender under section 75 of the CCA, or for contravention of CONC, against the amount owing by the Borrower under the Loan or under any other Loan that the Borrower has taken with the Seller (or exercise analogous rights in Scotland). Any such set off in relation to Loans in the Portfolio may adversely affect the Issuer's ability to make payments in full on the Notes when due.

The Consumer Credit Act 2006 (the **CCA 2006**), which amended the CCA, introduced the "unfair relationship" test which applies to all credit agreements except Regulated Mortgage Contracts under the FSMA. If the court makes a determination that the relationship between the lender and the borrower is unfair, then it may make an order, among other things, requiring the seller or any assignee such as the Issuer to repay amounts received from the borrower. In applying the unfair relationship test, the courts are able to consider a wide range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair" as the intention is for the test to be flexible and subject to judicial discretion. However, the word "unfair" is not an unfamiliar term in United Kingdom legislation as it has been given meaning under UK unfair contract terms legislation (discussed below) and associated case law and regulatory guidance. The principle of "treating customers fairly" under the FSMA and guidance published by the FSA (and, as of 1 April 2013, the FCA) on that principle and by the OFT on the unfair relationship test, may also be relevant. Once the debtor alleges that an unfair relationship exists, the burden of proof is on the creditor to prove the contrary.

In recent cases concerning the scope of the "unfair relationship" test the courts have generally adopted an interpretation which is favourable to borrowers. A recent Supreme Court judgment has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules. It is possible that this case will result in further claims relating to personal protection insurance (**PPI**) mis-selling where previously claims have been rejected on the basis that the relevant rules in the FCA Handbook had been complied with. The FCA is considering whether additional rules and/or guidance are required to deal with the impact of the judgment on complaints about PPI, including a possible deadline applicable to PPI claims made against banks.

The financial limit of £25,000 for CCA regulation has been removed for credit agreements made on or after 6 April 2008, except for certain matters such as changes to credit agreements.

To the extent that a credit agreement is regulated under the consumer credit regime or treated as such, it is unenforceable for any period in which the lender fails to comply with requirements as to default notices. From 1 October 2008; (a) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices; (b) the borrower is not liable to pay interest or, in certain cases, default fees for any period in which the lender fails to comply with further requirements as to post contract disclosure; and (c) interest upon default fees is restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest (i.e. interest may only be calculated on the principal amount of the default sum and not compounded). In particular, there have been publicised breaches by other institutions of section 77A of the CCA which sets out certain requirements in connection with the statements provided during the term of a regulated credit agreement. In the case of such a breach, the agreement would be unenforceable by the lender during the period of non-compliance with the CCA requirements and the borrower is not required to pay interest arising during the period of non-compliance. To the extent that the borrower had already made interest payments during such a period of non-compliance, the lender is required to repay those interest payments to the borrower.

Early repayment charges are restricted by a formula under the CCA (and related secondary legislation) which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies generally to all such credit agreements made on or after 11 June 2010.

These changes to the consumer credit regime, as described above, may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

The Seller has interpreted certain technical rules under the consumer credit regime in a way common with many other lenders in the mortgage market. If such interpretation were held to be incorrect by a court or any dispute resolution authority, then a loan, to the extent that it is regulated under the CCA or treated as such, would be unenforceable as described above. If such interpretation were challenged by a significant number of borrowers, then this could lead to significant disruption and shortfall in the income of the Issuer. Court

decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

The Seller has given or, as applicable, will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not materially comply with these warranties, and if the default cannot be or is not cured within 20 London Business Days, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase the Loans and their Related Security from the Issuer.

FCA Regulation of Mortgage Business

Mortgage lending in the United Kingdom became a regulated activity under the FSMA on 31 October 2004 (the date known as **N(M)**). Since N(M), the following activities: (i) entering into as lender; (ii) administering (in this context meaning notifying borrowers of changes in mortgage payments and/or collecting payments due under a mortgage loan); (iii) arranging in respect of Regulated Mortgage Contracts; (iv) advising in respect of Regulated Mortgage Contracts; and (v) agreeing to do any of those activities, are (subject to exemptions) regulated activities under the FSMA requiring authorisation and permission from the FCA.

On 21 March 2016, regulation of residential mortgage lending under the FSMA changed when the European directive on credit agreements relating to residential immovable property for consumers (the **Mortgage Directive**) was transposed into the UK. One key change introduced by the Mortgage Directive was to broaden the scope of FCA mortgage regulation through changes to the FSMA and the enactment of the Mortgage Credit Directive Order 2015 to include second charge mortgages and consumer buy-to-let mortgages. Second charge mortgages were previously part of the FCA's consumer credit regime, as were some consumer buy-to-let mortgages although the majority were unregulated until 21 March 2016.

A credit agreement originated before 21 March 2016 is a **Regulated Mortgage Contract** under the FSMA if it is originated on or after N(M) or originated prior to N(M) but varied on or after N(M) such that a new contract is entered into and if, at the time it is entered into: (i) the credit agreement is one under which the lender provides credit to an individual or trustee; (ii) the contract provides for the repayment obligation of the borrower to be secured by a first legal mortgage (or in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the United Kingdom; and (iii) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to a trustee) 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 person has a relationship which is characteristic of a spouse). From 21 March 2016, the definition of Regulated Mortgage Contract has changed in line with the United Kingdom's implementation of the Mortgage Directive. Importantly, a mortgage no longer needs to be a first charge mortgage to fall within the definition of a Regulated Mortgage Contract. This and other changes to mortgage regulation as a result of the implementation of the Mortgage Directive are described in the risk factor "*Mortgage Directive*" below.

The main effects are that, on and after N(M), unless an exclusion or exemption applies:

- (i) each entity carrying on any specified regulated mortgage activity by way of business has to hold authorisation and permission by the FCA under the FSMA to carry on that activity (the specified activities currently are: (a) entering into a Regulated Mortgage Contract as lender; (b) administering a Regulated Mortgage Contract (administering in this context broadly means notifying borrowers of changes in mortgage payments and/or collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; (d) arranging in respect of Regulated Mortgage Contracts; and (e) agreeing to carry on any of these above-mentioned activities); and
- (ii) each financial promotion in respect of an agreement relating to qualifying credit has to be issued or approved by a person holding authorisation and permission under the FSMA. It should be noted that the definition of "qualifying credit" is broader than that of "Regulated Mortgage Contract" and may include mortgage loans that are regulated by the CCA or treated as such or that are unregulated and under which the lender is a person (such as the Seller) who carries on the regulated activity of entering into a Regulated Mortgage Contract.

If the lender or broker did not hold the required authorisation at the relevant time, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of the court and the unauthorised person may commit a criminal offence. An unauthorised person who services a Regulated

Mortgage Contract entered into on or after N(M) may commit a criminal offence, but this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of 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 promotions regime (as regards by whom promotions can be issued or approved) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

The Seller is required to hold, and holds, authorisation and permission to enter into and to service and, where applicable, to advise in respect of Regulated Mortgage Contracts. Subject to any exemption, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts.

However, a person who is not an authorised person does not carry on the activity of servicing a Regulated Mortgage Contract where he arranges for another person, being an authorised person with permission to carry on that activity, to service the contract or services the contract himself for a period of not more than one month beginning with the day on which any such arrangement comes to an end. Accordingly, a special purpose vehicle (such as the Issuer) will not carry on the regulated activity of administering Regulated Mortgage Contracts by having them serviced pursuant to a servicing agreement by an entity having the required authorisation and permission. If such a servicing agreement were to terminate, however, the Issuer would have a period of not more than one month to arrange for mortgage servicing to be carried out by a replacement servicer having the required permission. In addition the Issuer is not required to be authorised by the FCA under Part 4A of the FSMA in order to hold beneficial title to the loans. As at the Closing Date the Issuer will only hold beneficial title to the loans. In the event that legal title is transferred to the Issuer upon the occurrence of a Perfection Event, in respect of consumer credit, the Issuer expects that it will be exempt from carrying on a regulated activity under article 60B(2) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, on the basis that the Issuer will have appointed a servicer in respect of the Loans and the Issuer is not expected to grant credit. Consumer credit will likely fall within the exemption under paragraph 55 of the Financial Services and Markets Act 2000 (Exemption) Order 2001; as such the Issuer will not require, and does not propose to obtain, authorisation under Part 4A of the FSMA. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. In addition, on and after N(M), no variation has been or will be made to the Loans where it would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Credit agreements that were entered into before N(M) but are subsequently changed such that a new contract is entered into on or after N(M), are regulated under the FSMA where they fall within the definition of "Regulated Mortgage Contract" under the RAO. However, on and after N(M), no variation has been or will be made to a Loan and no Further Advance or Product Switch has been or will be made in relation to a Loan, where it would result in the Issuer advising or arranging in respect of, servicing 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.

There is a risk that any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated under the CCA or treated as such, or unregulated, and any credit agreement intended to be regulated under the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules: on (a) determining whether any credit arises or whether any applicable financial limit of the CCA is exceeded; (b) determining whether the credit agreement or any part of it falls within the definition of "Regulated Mortgage Contract"; (c) determining whether the credit agreement is an exempt agreement (for example, certain types of credit agreement to finance the purchase of, or alteration to, homes or business premises, or Regulated Mortgage Contracts under the FSMA, or certain buy-to-let credit agreements); and (d) changes to credit agreements.

The FCA's *Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB)*, which sets out the rules and guidance under the FSMA 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 FCA 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 an FCA rule, and may set-off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken (or exercise analogous rights in Scotland) with the lender. Any such set-off in relation to a Loan in the Portfolio may adversely affect the Issuer's ability to make payments in full on the Notes when due.

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts under the FSMA will not be regulated under the consumer credit regime, and the relevant regulations made in 2005, 2008 and 2013 under the FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after N(M) (and credit agreements made before N(M) but subsequently varied such that a new contract is entered into on or after N(M) which constitutes a separate Regulated Mortgage Contract). A court order under section 126 of the CCA is, however, necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a Regulated Mortgage Contract to the extent that the credit agreement would, apart from this exemption, be regulated by the CCA or treated as such.

As some of the Loans to be included in the Portfolio were offered on or after N(M), the FSMA regime as set out above is intended to apply to such Loans. Also, although other Loans to be included in the Portfolio were offered prior to N(M), as subsequent Product Switches relating to such Loans were documented as variations to the existing agreements, it is possible that a court could hold that such variations create a Regulated Mortgage Contract. The Seller has given or, as applicable, will give, representations and warranties to the Issuer and the Security Trustee in the Mortgage Sale Agreement that, among other things, each relevant Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be remedied, the Seller will be required to repurchase or procure the repurchase of such Loan and its Related Security from the Issuer.

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

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

Mortgage Repossession

A protocol for mortgage repossession cases in England and Wales came into force on 19 November 2008, which sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders, including the Seller, have confirmed that they will delay the initiation of repossession action for at least three months after a borrower who is an owner-occupier is in arrears. The application of such moratorium may be subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Mortgage Repossessions (Protection of Tenants etc.) Act 2010 came into force on 1 October 2010. This Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 came into force on 30 September 2010 and relates to the enforcement of standard securities over residential property in Scotland. Under Part I of the Act, the heritable creditor (the Scottish equivalent to a mortgagee) and 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.

This protocol and these Acts and the MCOB requirements for mortgage possession cases may have adverse effects in markets experiencing above average levels of repossession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and may adversely affect the ability of the Issuer to make payments to Noteholders.

Mortgage Directive

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers. The Council of the European Union adopted the Mortgage Directive (Directive 2014/17/EU) on 28 January 2014 and it was published in the Official Journal of the European Union on 28 February 2014. It entered into force twenty days after such publication and was implemented by the United Kingdom with effect from 21 March 2016.

As summarised above, the Mortgage Directive 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 and (b) credit agreements the purpose of which is to provide finance to purchase or retain rights in land or in an existing or proposed residential building, and also extends the Consumer Credit Directive (2008/48/EC) to unsecured credit agreements the purpose of which is to renovate residential immovable property involving a maximum total amount of credit of EUR 75,000. The Mortgage 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 but does apply to buy to let mortgages.

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

For the most part the UK Government has sought to put in place what it has described as the minimum requirements to meet its legal obligations under the Mortgage Directive in respect of buy-to-let mortgages. The legislation provides that firms do not need to apply the UK Government's appropriate framework for buy-to-let mortgages where a borrower is acting wholly or predominantly for the purposes of a business. HM Treasury has stated that they would expect consumer buy-to-let activity to represent a small proportion of total buy-to-let transactions. In any event, the Seller is registered with the FCA as a consumer buy-to-let lender and administrator. Generally speaking, the Mortgage Directive does not apply to credit agreements existing before 21 March 2016. However, the UK's implementation of the Mortgage Directive will also

operate to retrospectively regulate certain credit agreements secured on land that were in existence at 21 March 2016, including existing second charge mortgages (**Consumer Credit Back Book Mortgage Contracts**). Certain provisions of MCOB will become applicable to these Consumer Credit Back Book Mortgage Contracts. These include the rules relating to post-sale disclosure (MCOB 7), charges (MCOB 12) and arrears, payment shortfalls and repossessions (MCOB 13). General conduct of business standards will also apply (MCOB 2). This process is subject to detailed transitional provisions that are intended to retain certain customer protections in CONC and the CCA that are not contained within MCOB.

Any further changes in the legislative or regulatory framework for mortgage regulation, including as a result of implementation of the Mortgage Directive into UK law, or any future review carried out by the FCA, or any changes to the FCA Handbook Rules, may adversely affect the Loans, the Seller, the Servicer and their respective businesses and operations and accordingly the ability of the Issuer to repay the Notes.

Distance Marketing Regulations

In the United Kingdom, the Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower).

These regulations (and MCOB in respect of activities related to Regulated Mortgage Contracts) require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for the supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, contractual terms and conditions, and whether or not there is a right of cancellation.

A Regulated Mortgage Contract under the FSMA, if originated by a UK lender from an establishment in the UK, is not cancellable under these regulations but is subject to related pre-contract disclosure requirements in the MCOB. Certain other credit agreements will be cancellable under these regulations, if the borrower does not receive prescribed information at the prescribed time or, in any event, for certain unsecured lending. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received, or, if later, the borrower receives the last of the prescribed information. Compliance with these regulations may be secured by way of injunction (interdict in Scotland), granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of these regulations may render the supplier or intermediaries (and their respective relevant officers) liable to a fine. Failure to comply with the MCOB rules could result in, *inter alia*, disciplinary action by the FCA and possible claims under Section 138D of the FSMA for breach of FSMA rules.

If the borrower cancels the credit agreement under these regulations, then: (a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement within 30 days beginning with the day of the borrower sending notice of cancellation or, if later, the lender receiving notice of cancellation; (b) the borrower is liable to pay interest or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and (c) any security is to be treated as never having had effect in respect of the cancelled agreement.

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

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**, together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 the **UTCCR**), apply to agreements made on or after 1 July 1995 and before 1 October 2015 and affect all or almost all of the Loans. The UTCCR provide that:

- a consumer (which would include a Borrower under the Loans) may challenge a standard term in an agreement on the basis that it is “unfair” within the UTCCR and therefore not binding on the consumer (although the remainder of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term); and
- the UK Competition and Markets Authority (the **CMA**), the FCA and certain other regulatory authorities may seek to enjoin (or in Scotland interdict) a business from relying on unfair terms.

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 unfair contract terms regime in the United Kingdom was amended with effect from 1 October 2015 by the Consumer Rights Act 2015 (the **Consumer Rights Act**), which partly repealed the UTCCR and applies to business-to-consumer contracts entered into, and relevant consumer notices issued, on or after 1 October 2015. However, the UTCCR will continue to apply to contracts which were entered into before that date.

The amendments introduced by the Consumer Rights Act primarily concern the scope of the unfair contract terms protections, rather than their substance, as well as codifying certain case law developments concerning unfair contract terms. One significant amendment introduced under the Consumer Rights Act is an express requirement on the court to consider the fairness of the terms in a consumer contract, where it has sufficient legal and factual information to do so, even where this is not in issue between the parties in that particular case.

Neither the UTCCR nor the Consumer Rights Act generally affect terms which define the main subject matter of the contract, such as the borrower’s obligation to repay the principal, or price terms, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer’s attention. However, both the UTCCR and the Consumer Rights Act may apply to terms that are related to, but which are not themselves considered to be terms which define, the main subject matter of the contract, or price terms, such as the lender’s power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees, as well as terms which give the lender a unilateral right to vary the contract or interpret any term of the contract.

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

Responsibility for enforcing the UTCCR and the Consumer Rights Act is divided between the CMA and certain other regulatory bodies, with the CMA being the lead regulator. Prior to 1 April 2014, the lead regulator for enforcement of the UTCCR was the OFT. The FCA has powers to enforce the UTCCR/ Consumer Rights Act in relation to agreements concerning financial services and products, including mortgages and other consumer credit agreements.

The CMA published guidance on the unfair terms provisions in the Consumer Rights Act in July 2015. This guidance provides firms with information on how the CMA interprets various provisions under the Consumer Rights Act, including the assessment of the fairness of terms and the CMA’s powers of enforcement. The CMA has also adopted, in Annex A to its new guidance, the list of examples of unfair contract terms published by the OFT with its September 2008 guidance. The CMA cautions that, where it provides examples of revised terms which the OFT found fair, firms should not consider that these terms have been “cleared” for general use. The CMA also highlights that its guidance is not binding on the courts or other enforcement authorities.

Various guidance on the UTCCRs was issued by the OFT and the FSA following the entry into force of those regulations. Certain key pieces of guidance dealing specifically with unfair terms in mortgage and other consumer financial services contracts are outlined below. Although some of this guidance has since been withdrawn, it remains relevant with respect to historic mortgages entered into while the guidance was applicable. In February 2000, the OFT issued a guidance note on what the OFT considered to be fair terms

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

In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated under the FSMA in relation to products and services within the regulatory scope of the FSMA. This statement provided that, for locked-in borrowers, (i.e. where the borrower is required to give advance notice or to pay a cost or to give up a benefit in order to withdraw from the contract), a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised.

In the context of the OFT's investigation into credit card default charges, the OFT on 5 April 2006 publicly announced that the principles the OFT considers in assessing the fairness of credit card default charges shall be applied (or are likely to be applied) also to analogous default charges in other agreements, including those for mortgages. The principles are in essence that terms imposing default fees should not have the object of raising more in revenue than is reasonably expected to be necessary to recover certain limited administrative costs incurred as a result of a borrower's default. In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provided that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a borrower exits the mortgage. The FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the Unfair Contract Terms Regulatory Guide (previously contained within the FSA handbook and now contained in the FCA handbook) came into force. This guide is designed to explain the FCA's policy on how it would use its powers under the 1999 Regulations.

The MCOB rules for Regulated Mortgage Contracts require that: (a) arrears charges represent a reasonable estimate of the cost of additional administration required as a result of the borrower being in arrears; and (b) from 25 June 2010, the borrower's payments are allocated first towards paying off the balance of any payment shortfall, excluding any interest or charges on that balance.

In August 2007, the Unfair Contract Terms Regulatory Guide (previously in the FSA Handbook and now in the FCA Handbook) came into force. This guide is designed to explain the FCA's policy on how it would use its powers under the 1999 Regulations. In January 2012, the FSA published finalised guidance entitled "Unfair contract terms: improving standards in consumer contracts", which largely reiterated and clarified its previous guidance. This guidance sets out the FCA's interpretation of Schedule 2 to the 1999 Regulations (which gives an indicative and nonexhaustive list of terms which may be regarded as unfair), explaining that terms which allow a firm to unilaterally vary the terms of its contract are less likely to be unfair if, *inter alia*, (i) there is a valid reason which is specified in the contract, or (ii) in relation to variations to interest rates and other charges specifically, the term provides that the variation will be for a "valid reason" (which may not be specified in the contract) and the contract provides for the firm to give the consumer notice at the earliest opportunity thereafter and the consumer is free to dissolve the contract immediately. The guidance states that the FCA might consider a valid reason for changing an interest rate to be one which allows the lender: (a) to respond proportionately to changes in general law or decisions of the Financial Ombudsman Service; (b) to meet new regulatory requirements; (c) to reflect new industry guidance and codes of practice which raise standards of consumer protection; (d) to respond proportionately to changes in the Bank of England Base Rate, other specified market rates or indices or tax rates; or (e) to reflect other legitimate cost increases or reductions associated with providing a particular product or service. As of 1 April 2013, the FCA has power to enforce the UTCCR in relation to Regulated Mortgage Contracts originated by lenders authorised under the FSMA.

The May 2005, January 2007 and January 2012 guidance (the **Previous Guidance**) was removed from the FCA's website in March 2015 because they no longer reflect the FCA's current view on unfair contract terms. In July 2015, the CMA issued a guidance note on unfair contract terms in the Consumer Rights Act, which applies to any contracts entered into on or after 1 October 2015. However, the July 2015 guidance makes it clear that the Consumer Rights Act generally carries forward rather than changes the substance of the

protections provided to consumers under earlier legislation and the Previous Guidance. As such, even with changes in regulatory structure in the United Kingdom that came into effect on 1 April 2013, in respect of loans originated before 1 October 2015, the Previous Guidance remains the most specific guidance on this topic. The extremely broad and general wording of the UTCCR and the Consumer Rights Act 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 or may be made to borrowers covered by the UTCCR or the Consumer Rights Act may contain unfair terms which may result in the unenforceability of such terms of the underlying loans. If any term of the Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

The guidance issued by the FSA (and as of 1 April 2013, the FCA) and the OFT has changed over time and it is possible that it may change in the future. No assurance can be given that any regulatory action or guidance in respect of the UTCCR or the Consumer Rights Act will not have a material adverse effect on the Seller, the Servicer and the Issuer and their respective businesses and operations. This may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**) is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. By transitional provisions, the Ombudsman is required to deal with certain complaints relating to breach of the CML Code. Complaints 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. If the borrower were to accept the final decision by the Ombudsman, both parties would be bound by that decision. By contrast, if the borrower did not accept the final decision, neither party would be bound and the borrower could still pursue legal action in relation to its complaint.

As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a 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.

Unfair Commercial Practices Directive 2005

In May 2005, the European Parliament and the Council adopted Directive 2005/29/EC of 11 May 2005 on unfair business-to-consumer commercial practices (amending Council Directive 84/450/EEC and others (the **Unfair Practices Directive**)). Generally, the Unfair Practices 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, in March 2013, the European Commission published a report on the application of the Unfair Practices Directive which (among other things) 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 has been implemented in the United Kingdom 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 agreement may result in irrecoverable losses on amounts to which such agreements apply. The CPUTR do not provide consumers with a private act of redress. Instead, consumers must rely on existing private law remedies based on the law of misrepresentation and duress. The Consumer Protection (Amendment) Regulations 2014 (SI No.870/2014) were 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 prohibited practices, including a right to unwind agreements.

In addition, the Unfair Practices Directive is taken into account in reviewing rules under the FSMA. For example, MCOB rules for Regulated Mortgage Contracts from 25 June 2010 (formerly these were matters of non-binding guidance) prevent: (a) repossessing the mortgaged property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or conversion to interest-only for a period, or a product switch, and (b) automatically capitalising a payment shortfall.

The Unfair Practices Directive provided for a transitional period until 12 June 2013 for the application of full harmonisation in the fields to which it applies. The European Commission's March 2013 report on the application of the Unfair Practices Directive 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 United Kingdom's implementation of the Unfair Practices Directive 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.

Unauthorised Capitalisations

A case in the Northern Ireland High Court in 2014 (not involving the Seller) brought to the attention of mortgage lenders generally and the FCA concerns over whether mortgage lenders were capitalising arrears without the consent of the consumers and without taking into account the individual circumstances of the consumer, their ability to repay and/or the appropriateness of other actions. By doing so, mortgage lenders may in certain cases have been charging consumers amounts, including arrears charges and fees and interest thereon, which should not have been charged. It is possible that in such cases, redress will need to be made to consumers to put the consumer back into the position it would have been in had the arrears not been capitalised. It is not yet known precisely how such redress would be effected or calculated but it could involve payments by cheque or balance adjustments.

Any unauthorised capitalisation claims made by Borrowers in connection with their Loans, and any set-off by Borrowers in respect of such claims against the amount due by the Borrowers under their 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.

UK Taxation Position of the Issuer

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

Withholding Tax Under the Notes

In the event that any withholding or deduction for or on account of any taxes is imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, the Issuer is required at all times, in accordance with the Trust Deed, to use all reasonable endeavours to minimise taxes.

As of the date of this Prospectus, no withholding or deduction for or on account of UK tax will be required on interest payments to any holders of the Rated Notes provided that the Rated 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 London Stock Exchange is a recognised stock exchange for such purposes and the Rated Notes will be treated as listed on the London Stock Exchange if such Rated Notes are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Rated Notes are and remain so listed, interest on the Rated Notes will be payable without withholding or deduction on account of United Kingdom tax. The applicability of any withholding or deduction for or on account of United Kingdom tax on payments of interest is discussed further under "United Kingdom Taxation" below.

The Proposed 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 EU member states (including Belgium, Germany, Estonia (although Estonia has since stated it will not participate), Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia). If the Commission's proposal was adopted in its current form, 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.

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

However, the FTT proposal remains subject to negotiation between participating member states and it may be altered prior to implementation, the timing of which remains unclear. Additional EU member states may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

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 Arranger or the Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory treatment of their investment on the date of purchase or at any time in the future.

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

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

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. With respect to the commitment of the 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 by TSB Bank in its capacity as the Servicer or the Cash Manager on the Issuer's behalf, please see the statements set out in "*Certain Regulatory Disclosures—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, TSB Bank (in its capacity as the Seller, the Servicer or the Cash Manager) nor the Arranger makes any representation that the information described above is sufficient in all circumstances for such purposes. For information on U.S. Credit Risk Retention Requirements, see "*—The Dodd-Frank Wall Street Reform and Consumer Protection Act*" and "*Certain Regulatory Disclosures—U.S. Credit Risk Retention*" below.

It should be noted that the European Commission has published legislative proposals for two new regulations related to securitisation. 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. There are material differences between the legislative proposals 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 is not clear whether, and in what form, the legislative proposals (and any corresponding technical standards) will be adopted. In addition, the compliance position under any 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.

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.

The Dodd-Frank Wall Street Reform and Consumer Protection Act

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the **Dodd-Frank Act**), which was signed into law on 21 July 2010, imposes a new regulatory framework over the U.S. financial services industry and the U.S. consumer credit markets in general. Among other things, regulations proposed by the SEC under the Dodd-Frank Act would, if enacted, significantly alter the manner in which asset-backed securities, including securities similar to the Notes, are issued and structured and would increase the reporting obligations of the issuers of such securities. Given the broad scope and sweeping nature of these changes and the fact that all final implementing rules and regulations have not yet been enacted, the potential impact of these actions on the Issuer, any of the Notes or any owners of interests in the Notes is unknown, and no assurance can be made that the impact of such changes would not have a material adverse effect on the prospects of the Issuer or the value or marketability of the Notes. In particular, if existing transactions are not exempted from any such new rules or regulations, the costs of compliance with such rules and regulations could have a material adverse effect on the Issuer and the Noteholders.

On 10 December 2013, U.S. regulators adopted final regulations to implement Section 619 of the Dodd-Frank Act, commonly referred to as the **Volcker Rule**. The regulations generally prohibit “banking entities” (broadly defined to include U.S. banks, bank holding companies and foreign banking organizations, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in, or sponsoring, a “covered fund” and (iii) entering into certain relationships with such funds, subject to certain exceptions and exclusions. See “*Certain Regulatory Disclosures—Volcker Rule*” below for information on the Issuer’s status under the Volcker Rule. Any prospective investor in any Notes, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding the application and effect of the Volcker Rule.

In October 2014, the SEC and other U.S. federal regulatory agencies adopted a final rule implementing the U.S. Credit Risk Retention Requirements. As required by the Dodd-Frank Act, the U.S. Credit Risk Retention Requirements generally require the sponsor of a securitization transaction or a majority-owned affiliate of the sponsor to retain not less than 5 per cent. of the credit risk of the assets securitized (unless an exemption is available) and generally prohibit, for a period of at least five years after the close of the securitization transaction, the transfer or hedging or non-recourse financing of any such retained interest. The U.S. Credit Risk Retention Requirements became effective for residential mortgage-backed securities on 24 December 2015. As described under “*Certain Regulatory Disclosures—U.S. Credit Risk Retention Requirements*,” TSB Bank will comply with this requirement by acquiring and retaining an EVI in the form of the Retention Note, which is a single vertical security equal to a minimum of 5 per cent. of the aggregate Principal Amount Outstanding of each Class of Notes issued by the Issuer (other than the EVI). If TSB Bank, as Retention Noteholder, fails to retain credit risk in accordance with the U.S. Credit Risk Retention Requirements, the value and liquidity of the Notes may be adversely impacted. See “*Certain Regulatory Disclosures—U.S. Credit Risk Retention Requirements*” in this Prospectus for further information.

English Law Security and Insolvency Considerations

The Issuer entered into the Deed of Charge pursuant to which it granted the Security in respect of certain of its obligations, including its obligations under the Notes (as to which, see “*Summary of the Key Transaction Documents—Deed of Charge*”). If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired.

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

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

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, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge may

be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

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

Fixed charges may take effect under English law as floating charges

Pursuant to the terms of the Deed of Charge, the Issuer has purported to grant fixed charges in favour of the Security Trustee over, amongst other things, its interests in the English Loans, the English Mortgages and their respective Related Security, the Issuer's interest in its bank accounts maintained with the Issuer Account Bank and the Issuer's interest in all Authorised Investments purchased from time to time.

The law in England and Wales relating to the characterisation of fixed charges is unsettled. There is a risk that a court could determine that the fixed charges purported to be granted by the Issuer 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 property for the security to be said to constitute fixed charges. 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. Monies paid into accounts or derived from those assets could be diverted to pay preferential creditors and certain other liabilities were a receiver, liquidator or administrator to be appointed in respect of the relevant company in whose name the account is held.

Under Scots law the concept of fixed charges taking effect as floating charges does not arise and accordingly there is no equivalent risk of recharacterisation in relation to the Scottish Loans and their Related Security.

Liquidation Expenses

On 6 April 2008, a provision in the Insolvency Act came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of the *Leyland Daf* case applies in respect of all liquidations commenced on or after 6 April 2008

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

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which, based on contractual (such as the contractual Priority of Payments as contemplated in this transaction) 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 English Supreme Court and US Bankruptcy Court cases have focused on provisions involving the subordination of a swap 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 included in the Transaction Documents relating to the subordination of Interest Rate Swap Excluded Termination Amounts or Currency Swap Excluded Termination Amounts payable in respect of the relevant Swap Agreement (or any replacement swap agreement).

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the US Bankruptcy Court has held that such a subordination provision is unenforceable under US 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 US bankruptcy of the counterparty. The implications of this conflicting judgment remain unresolved, particularly as several subsequent challenges to the U.S. decision have been settled and certain other actions which raise similar issues are currently pending but have not progressed for some time. If a creditor of the Issuer (such as the Swap Providers) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the US), and it is owed a payment by the Issuer (such as an Interest Rate Swap Excluded Termination Amount or Currency Swap Excluded Termination Amount which has been subordinated as it is being made as a result of that swap provider's insolvency), 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 Priority of Payments which refers to the ranking of a swap provider's payment rights in respect of Interest Rate Swap Excluded Termination Amounts or Currency Swap Excluded Termination Amounts). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy laws. Such laws may be relevant in certain circumstances with respect to the Swap Provider given that it is a U.S.-established entity and has assets and/or operations in the U.S. 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 include terms providing for the subordination of the Interest Rate Swap Excluded Termination Amounts or Currency Swap Excluded Termination 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 Rated Notes. If any ratings assigned to the Rated Notes are lowered, the market value of the Rated Notes may reduce.

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Borrowers to pay interest, principal or other amounts on the Loans and their Related Security and consequently the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons, and the Issuer does not represent that the above statements regarding the risk of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Prospectus lessen some of the risks for the Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to the Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.

CERTAIN REGULATORY DISCLOSURES

Capital Requirements Regulation

Please refer to paragraph entitled “*Risk Factors—Regulatory Initiatives may have an Adverse Impact on the Regulatory Treatment of the Notes*” for further information on the implications of the CRR risk retention requirements for investors.

EU Risk Retention Requirements

The Seller, in its capacity as originator, will retain for the life of the transaction 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**), Article 17 of the Alternative Investment Fund Managers Directive (the **AIFMD**), Article 51 of Regulation (EU) No 231/2013 (the **AIFM Regulation**) and Article 254 of Regulation (EU) 2015/35 (the **Solvency II Regulation** together, the **EU Risk Retention Requirements**) (which, in each case, does not take into account any corresponding national measures). As at the Closing Date, such interest will be comprised of the Retention Note which will equal no less than 5 per cent. of the nominal value of each Class of Notes sold or transferred to investors on the Closing Date, as required by the EU Risk Retention Requirements. Any change to the manner in which such interest is held will be notified to Noteholders in accordance with the applicable Conditions.

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, after the Closing Date, to the Monthly Investor Reports and the Quarterly Reports. In such Monthly Investor Reports and Quarterly Reports, relevant information with regard to the Loans will be disclosed publicly together with an overview of the retention and/or any changes in the method of retention of the material net economic interest by the Seller. Further information in respect of individual loan level data may be obtained on the following website: www.tsb.co.uk/investors/debt-investors. None of the Monthly Investor Reports, the Quarterly Reports nor the website and its contents form part of this Prospectus.

Investors to Assess Compliance

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with each of Part Five of the Capital Requirements Regulation (including Article 405), Solvency II (including Article 254(2) and any regulatory technical standards, implementing technical standards and any other implementing provisions in their jurisdiction), and Section Five of Chapter III of the AIFM Regulation (including Article 51) and any corresponding national measures which may be relevant and none of the Issuer, the Arranger, the Joint Lead Managers or any other Transaction Party makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. Investors who are uncertain as to the requirements which apply to them in respect of their jurisdiction should seek guidance from their regulator.

U.S. Credit Risk Retention

TSB Bank, in its capacity as sponsor (or a majority-owned affiliate of TSB Bank), is required under the U.S. Credit Risk Retention Requirements to acquire and retain an economic interest in the credit risk of the interests created by the Issuer on the Closing Date in an amount of, in the case of vertical risk retention, not less than five per cent. TSB Bank, as Retention Noteholder, intends to satisfy the U.S. Credit Risk Retention Requirements by acquiring and retaining an eligible vertical interest (an **EVI**) in the form of the Retention Note, which is a single vertical security equal to a minimum of 5 per cent. of the aggregate Principal Amount Outstanding of each Class of Notes and other ABS interests (as defined in the U.S. Credit Risk Retention Requirements) issued by the Issuer (other than the EVI).

The Retention Note entitles the Retention Noteholder to 5 per cent. of the amount paid on each Class of Notes and other ABS interests (as defined in the U.S. Credit Risk Retention Requirements). The portion of the Retention Note corresponding to: (i) the Class A1a Notes is the Retention Tranche A1a, (ii) the Class A1b Notes is the Retention Tranche A1b, (iii) the Class A2 Notes is the Retention Tranche A2, (iv) the Class A3 Notes is the Retention Tranche A3, (v) the Class B Notes is the Retention Tranche B, (vi) the Class C Notes is the Retention Tranche C, (vii) the Subordinated Note is the Retention Tranche SN and (viii) the Start-Up Loan is the Retention Tranche SUL. In addition, the Retention Noteholder is entitled to 5 per cent.

of the amount paid as Deferred Consideration to the Seller. Principal and interest on each portion of the Retention Note will be paid *pro rata* and *pari passu* with the corresponding Class of Notes and other ABS interests (as defined in the U.S. Credit Risk Retention Requirements) in accordance with the relevant Priority of Payments. In addition, shortfalls in payments of principal on individual portions comprising the Retention Note will be credited to the relevant sub-ledger of the Retention Note Principal Deficiency Ledger *pro rata* and *pari passu* with shortfall amounts credited to the Principal Deficiency Ledger of the corresponding Class of Notes.

On the Closing Date, TSB Bank, as Retention Noteholder, is obliged by the U.S. Credit Risk Retention Requirements to retain, either directly or through a majority-owned affiliate, the EVI until the later of: (a) the fifth anniversary of the Closing Date and (b) the date on which the total principal balance outstanding of the Loans has been reduced to 25 per cent. of the aggregate outstanding Current Balance of the Loans at the Closing Date, but in any event no longer than the seventh anniversary of the Closing Date. The U.S. Credit Risk Retention Requirements impose limitations on the ability of the Retention Noteholder (or its majority-owned affiliate) during such period to hedge its risk with respect to the EVI. In addition, any financing obtained by the Retention Noteholder (or its majority-owned affiliate) during such period to purchase or carry the EVI that is secured by the EVI must provide for full recourse to the Retention Noteholder (or its majority-owned affiliate) and otherwise comply with the U.S. Credit Risk Retention Requirements. The retention, financing and hedging limitations set forth in the U.S. Credit Risk Retention Requirements will not apply to any Notes held by TSB Bank that do not constitute part of the EVI. Subject to the U.S. Credit Risk Retention Requirements and any applicable restrictions on transfer set out in the Transaction Documents, TSB Bank may, at any time and from time to time, sell or otherwise transfer all or any portion of any Notes it holds in excess of the portion it is required to retain to comply with the U.S. Credit Risk Retention Requirements.

In the monthly investor reports, relevant information with regard to the U.S. Credit Risk Retention Requirements will be disclosed in accordance with applicable disclosure requirements.

Volcker Rule

The Issuer is of the view that it is not now, and immediately following the issuance of the Notes and the application of the proceeds thereof, it will not be, a “covered fund” as defined in the Volcker Rule. Although other exclusions may be available to the Issuer, this view is based on the exemption provided in Section 3(c)(5)(C) of the Investment Company Act.

Rule 15Ga-2 under the Exchange Act

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

A Form ABS-15G containing diligence findings and conclusions with respect to a third party due diligence report prepared for the purpose of the transaction contemplated by this prospectus will be prepared and furnished by the Issuer to the SEC pursuant to Rule 15Ga-2. Any Form ABS-15G filed via the SEC’s EDGAR database is not and will not be, by this reference or otherwise, incorporated into this prospectus and should not be relied upon by any prospective investor as a basis for making a decision to invest in any Notes. Prospective investors should rely exclusively on this Prospectus in making their investment decisions.

TRIGGERS TABLES

Rating Triggers Table

<u>Transaction Party</u>	<u>Required Ratings</u>	<u>Contractual Requirements Upon Occurrence of Ratings Breach Include:</u>
Issuer Account Bank	<ul style="list-style-type: none"> (a) long-term, unsecured, unguaranteed and unsubordinated debt obligation rating of at least "A1" by Moody's and "A" by Fitch, (b) short-term, unsecured, unguaranteed and unsubordinated debt obligation rating of at least "P-1" by Moody's and "F1" by Fitch, or (c) such other lower rating which the Cash Manager certifies to the Note Trustee and the Security Trustee in writing (i) is consistent with the then current rating methodology of such relevant Rating Agency, or (ii) with respect to which it has received a Ratings Confirmation. 	<p>The Cash Manager or the Issuer shall terminate the Bank Account Agreement and close the Bank Accounts by giving not less than 30 days' prior written notice to the Issuer Account Bank (with a copy to, as applicable, the Cash Manager, the Issuer and the Security Trustee) if the Issuer Account Bank fails to maintain any of the Issuer Account Bank Required Ratings and the Issuer or the Cash Manager does not, within 30 days following the first day on which such failure occurred (i) close the Bank Accounts held with the Issuer Account Bank and open replacement accounts with a financial institution (I) having all of the Issuer Account Bank Required Ratings and (II) which is a bank as defined in Section 991 of the Income Tax Act 2007; or (ii) obtain a guarantee of its obligations under the Bank Account Agreement from a financial institution having all of the Issuer Account Bank Required Ratings or (iii) take such other action as may be required to ensure that the then current rating of the Notes is not adversely affected by it ceasing to have all of the Issuer Account Bank Required Ratings.</p> <p>Provided that, in the cases of each of (i) to (iii) above, the Rating Agencies confirm that the then current rating of the Rated Notes would not be adversely affected thereby.</p>
Interest Rate Swap Provider and Currency Swap Provider	<u>Moody's</u> : A long-term counterparty risk assessment from Moody's of A3(cr) or above (the Qualifying Collateral Trigger Rating).	<p>If a 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 the Qualifying Collateral Trigger Rating, the Swap Provider must, if required, post collateral and may either (i) transfer its rights and obligations under the relevant Swap Agreement to an appropriately rated replacement third party, or (ii) procure a guarantee from an appropriately rated third party.</p>

Transaction Party

Required Ratings

Contractual Requirements Upon Occurrence of Ratings Breach Include:

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

Moody's: A long-term counterparty risk assessment from Moody's of Baa1(cr) or above (the **Qualifying Transfer Trigger Rating**)

If a 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 relevant Swap Agreement to an appropriately rated replacement third party, or (ii) procure a guarantee from an appropriately rated third party.

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

Fitch: The Fitch required ratings are dependent on the highest Fitch rating currently given to one of the Rated Notes (the **Fitch Relevant Notes**) and are set out in the table below.

Column 1	Column 2	Column 3	Column 4
Current rating of the Fitch Relevant Notes	Unsupported Minimum Counterparty Rating	Supported Minimum Counterparty Rating	Supported Minimum Counterparty Rating (adjusted)
AAAsf	A and F1	BBB- and F3	BBB+ and F2
AA+sf, AA sf, AA- sf	A- and F2	BBB- and F3	BBB+ and F2
A+sf, Asf, A-sf	BBB+ and F2	BB+	BBB+ and F2
BBB+sf, BBBsf, BBB-sf	BBB- and F3	BB-	BBB- and F3
BB+sf, BBsf, BB-sf	At least as high as the Class A Notes rating	B	At least as high as the Class A Notes rating
B+sf or below or Class A Notes are not rated by Fitch	At least as high as the Class A Notes rating	At least as high as the Class A Notes rating	At least as high as the Class A Notes rating

Fitch initial required ratings

A Swap Provider, or an applicable guarantor, fails to have the required Unsupported Minimum Counterparty Ratings set out in Column 2

The Swap Provider must provide collateral within 14 calendar days (to the extent required depending on the value of the relevant Swap to each of the parties at such time) unless, it either (i) transfers its obligations in respect of the relevant Swap to an entity that is eligible to be a

Transaction
Party

Required Ratings

Contractual Requirements Upon
Occurrence of Ratings Breach Include:

swap provider under the Fitch ratings criteria, (ii) obtains a guarantee or co-obligation in respect of the relevant Swap from an entity with the required Unsupported Minimum Counterparty Ratings, or (iii) takes such other action (which may, for the avoidance of doubt, include taking no action) as will maintain, or restore, the rating of the highest class of Rated Notes by Fitch.

The Issuer may terminate the relevant Swap if the Swap Provider fails to provide collateral in respect of the Swap in the relevant time period (to the extent the Swap Provider is required to do so) and the Swap Provider has failed to take the relevant actions in (i) to (iii) above.

Fitch subsequent required ratings

A Swap Provider, or an applicable guarantor, fails to have the required **Supported Minimum Counterparty Ratings** (adjusted or unadjusted as set out in the table above, as applicable).

So long as Wells Fargo is a Swap Provider, the ratings set out in Column 4 (*Supported Minimum Counterparty Rating (adjusted)*) will be the Fitch subsequent required Ratings which will apply to the relevant Swap Agreement.

If a Swap Agreement is transferred to a Swap Provider who is incorporated in England or a Swap Provider that provides an external legal opinion confirming that the subordination provisions relating to Interest Rate Swap Excluded Termination Amounts or Currency Swap Excluded Termination Amounts (as applicable) are enforceable, in a form acceptable to Fitch and Party B, then the ratings set out in Column 3 (*Supported Minimum Counterparty Rating*) will be the Fitch subsequent required ratings for the relevant Swap Agreement.

If a Swap Agreement is transferred to any other Swap Provider, the ratings set out in Column 4 (*Supported Minimum Counterparty Rating (adjusted)*) will be the Fitch subsequent required ratings for the relevant Swap Agreement.

The Swap Provider must, within 30 calendar days, either (i) transfer its obligations in respect of the relevant Swap to an entity that is eligible to be a swap provider under the Fitch ratings criteria, (ii) obtain a guarantee or co-obligation in respect of the relevant Swap from an entity with the required Unsupported Minimum Counterparty Ratings, or an entity with the Supported Minimum Counterparty Ratings (adjusted or unadjusted, as applicable), provided that such entity complies with the collateral requirements of an applicable guarantor who fails to have the required Unsupported Minimum Counterparty Ratings (as set out above) or (iii) take such other action (which may, for the avoidance of doubt, include taking no action) as will maintain, or restore, the rating of the highest class of Rated Notes by Fitch.

Whilst this process is ongoing the Swap Provider must also provide collateral within 14 calendar days or if collateral has previously been provided, continue to provide collateral (to the extent required depending on the value of the relevant Swap to each of the parties at such time).

The Issuer may terminate the relevant Swap if the Swap Provider fails to provide collateral in respect of the relevant Swap in the relevant time period (to the extent

<u>Transaction Party</u>	<u>Required Ratings</u>	<u>Contractual Requirements Upon Occurrence of Ratings Breach Include:</u>
Swap Collateral Account Bank(s)	A short-term issuer default rating of at least "F1" by Fitch, long-term, unsecured, unguaranteed and unsubordinated debt obligations rated at least "A3" by Moody's and long-term issuer default rating of at least "A" by Fitch (or such other lower rating which the Cash Manager certifies to the Note Trustee and the Security Trustee in writing (i) is consistent with the then current rating methodology of such relevant Rating Agency, or (ii) with respect to which it has received a Ratings Confirmation) (the Swap Collateral Account Bank Ratings).	<p>the Swap Provider is required to do so). The Issuer may also terminate the relevant Swap if the Swap Provider fails to take the relevant actions in (i) to (iii) above.</p> <p>The Issuer or the Cash Manager (acting on the Issuer's behalf) shall use its reasonable endeavours to, within 30 calendar days following the first day on which such downgrade occurred, either:</p> <ul style="list-style-type: none"> (a) acting on the instructions of the Issuer, close the Swap Collateral Accounts held with the Swap Collateral Account Bank and use its reasonable endeavours to open replacement accounts with a financial institution (i) having all of the Swap Collateral Account Bank Ratings and (ii) which is a bank as defined in Section 991 of the Income Tax Act 2007; or (b) use all reasonable endeavours to obtain a guarantee of the obligations of the Swap Collateral Account Bank under this Agreement from a financial institution having all of the Swap Collateral Account Bank Ratings; or (c) take such other reasonable actions as may be required by the Issuer to ensure that the then current rating of the Class A Notes are not adversely affected by the Swap Collateral Account Bank ceasing to have all of the Swap Collateral Account Bank Ratings.

Non-Rating Triggers Table

<u>Nature of Trigger</u>	<u>Description of Trigger</u>	<u>Contractual Requirements Upon Occurrence of Breach Include:</u>
Seller	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> (a) the Seller is required to perfect transfer of legal title to the Loans and their Related Security (i) by an order of a court of competent jurisdiction or (ii) by any regulatory authority of which the Seller is a member and with whose instructions the Seller is required to comply, (b) it becomes necessary by law for the Issuer to perfect legal title to the Loans and their Related Security, (c) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee, (d) the security under the Deed of Charge or any material part of that security is, in the opinion of the Security Trustee, in jeopardy and the Security Trustee is required by the Note Trustee, on behalf of the Noteholders so long as any Notes are outstanding, or the other Secured Creditors if no Notes are then outstanding, to take action to reduce that jeopardy, or (e) a Seller Insolvency Event. 	<p>The Issuer will be entitled to effect legal transfer of the Loans by making the required registrations and serving notice on the Borrowers.</p>
Servicer Termination Event	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> (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 seven Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, 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 	<ul style="list-style-type: none"> (a) Following the occurrence of a Servicer Termination Event, the Issuer may terminate the appointment of the Servicer under the Servicing Agreement and transfer servicing to a replacement servicer. (b) The Servicer may also resign its appointment on no less than 12 months' written notice to, among others, the Issuer and the Security Trustee with a copy being sent to the Rating Agencies provided that (i) the Issuer and the Security Trustee consent to such termination, (ii) a replacement servicer qualified to act as such under the FSMA and the CCA and with a management team with experience of servicing residential

See the section entitled "*Summary of the Key Transaction Documents—Servicing Agreement*" for further information.

Nature of Trigger

Description of Trigger

Contractual Requirements Upon Occurrence of Breach Include:

Agreement, which failure in the reasonable opinion of the Issuer (prior to the delivery of a Note Acceleration Notice) or the Security Trustee (after the delivery of a Note Acceleration Notice) is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 20 Business Days after the earlier of the Servicer becoming aware of the failure and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee requiring the Servicer's non-compliance to be remedied;

mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer on substantially the same terms as the Servicing Agreement, and (iii) the resignation has no adverse effect on the then current ratings of the Rated Notes unless the Noteholders agree otherwise by Extraordinary Resolution.

- (c) the Servicer fails to obtain or maintain the necessary licences or regulatory approvals enabling it to continue to service the Loans; or
- (d) an insolvency event occurs in relation to the Servicer.

Cash Manager Termination Event

The occurrence of any of the following:

- (a) the Cash Manager defaults 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 seven 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 the Security Trustee, as the case may be, requiring the same to be remedied;
- (b) the Cash Manager defaults in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which failure in the reasonable opinion of the Issuer (prior to the delivery of a Note Acceleration Notice) or the Security Trustee (after the delivery of a Note Acceleration Notice) is materially prejudicial to the interests of the Noteholders, and the Cash Manager does not remedy that failure within 20 Business Days after the earlier of the Cash Manager becoming

- (a) Following the occurrence of a Cash Manager Termination Event, the Issuer or the Security Trustee may terminate the appointment of the Cash Manager under the Cash Management Agreement and transfer cash management services to a replacement cash manager.
- (b) The Cash Manager may also resign its appointment on no less than 12 months' written notice to, among others, the Issuer, the Seller and the Security Trustee provided that (i) the Security Trustee provides prior written approval, (ii) a replacement Cash Manager with cash management experience has been appointed and enters into a cash management agreement with the Issuer on substantially the same terms as the Cash Management Agreement, and (iii) the resignation has no adverse effect on the then current ratings of the Rated Notes unless the Controlling Class otherwise directs.

<u>Nature of Trigger</u>	<u>Description of Trigger</u>	<u>Contractual Requirements Upon Occurrence of Breach Include:</u>
Revolving Period Termination Event	<p>aware of the failure and receipt by the Cash Manager of written notice from the Issuer or the Security Trustee requiring the Cash Manager's non-compliance to be remedied; or</p> <p>(c) an insolvency event occurs in relation to the Cash Manager.</p> <p>The occurrence of (i) a Pass-Through Event; (ii) an Event of Default; or (iii) a Portfolio Eligibility Trigger.</p>	<p>Available Principal Receipts will be applied in accordance with the following priority of payments on an Interest Payment Date:</p> <p>(a) <i>first, pro rata and pari passu</i> in or towards repayment of the principal amounts outstanding on (i) the Class A1a Notes until the Principal Amount Outstanding on the Class A1a Notes has been reduced to zero, (ii) the portion of the Retention Note comprised by Retention Tranche A1a until the Retention Tranche A1a Principal Amount has been reduced to zero, (iii) the Class A1b Notes until the Principal Amount Outstanding on the Class A1b Notes has been reduced to zero, and (iv) the portion of the Retention Note comprised by Retention Tranche A1b until the Retention Tranche A1b Principal Amount has been reduced to zero;</p> <p>(b) <i>second, pro rata and pari passu</i> in or towards repayment of the principal amounts outstanding on (i) the Class A2 Notes until the Principal Amount Outstanding on the Class A2 Notes has been reduced to zero and (ii) the portion of the Retention Note comprised by Retention Tranche A2 until the Retention Tranche A2 Principal Amount has been reduced to zero;</p> <p>(c) <i>third, pro rata and pari passu</i> in or towards repayment of the principal amounts outstanding on (i) the Class A3 Notes until the Principal Amount Outstanding on the Class A3 Notes has been reduced to zero and (ii) the portion of the Retention Note comprised by Retention Tranche A3 until the Retention Tranche A3 Principal Amount has been reduced to zero;</p>

Nature of Trigger

Description of Trigger

Contractual Requirements Upon Occurrence of Breach Include:

- (d) *fifth, pro rata and pari passu* in or towards repayment of the principal amounts outstanding on (i) the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero and (ii) the portion of the Retention Note comprised by Retention Tranche B until the Retention Tranche B Principal Amount has been reduced to zero;
- (e) *sixth, pro rata and pari passu* in or towards repayment of the principal amounts outstanding on (i) the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero and (ii) the portion of the Retention Note comprised by Retention Tranche C until the Retention Tranche C Principal Amount has been reduced to zero;
- (f) *seventh, pro rata and pari passu* in or towards repayment of the principal amounts outstanding on (i) the Subordinated Note until the Principal Amount Outstanding on the Subordinated Note has been reduced to zero and (ii) the portion of the Retention Note comprised by Retention Tranche SN until the Retention Tranche SN Principal Amount has been reduced to zero; and
- (g) *eighth*, to pay any Deferred Consideration in accordance with the Mortgage Sale Agreement in respect of the Loans sold to the Issuer from time to time, as follows: (A) the product of the Retention Tranche Deferred Consideration Payment Percentage and such Deferred Consideration to the Retention Noteholder in respect of the portion of the Retention Note comprised by Retention Tranche Deferred Consideration, and (B) all remaining amounts to the Seller.

FEES

The following table sets out the on-going fees to be paid by the issuer to transaction parties. Each of these fees is subject to change at any time without your notification or approval, including upon the appointment of any successor service provider or any other successor transaction party pursuant to the applicable transaction document.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing Fee	0.10 per cent. per annum (inclusive of VAT) on the aggregate Current Balance of all Loans in the Portfolio as determined as at the close of business on the last day of the immediately preceding Interest Period (or, with respect to the first Interest Payment Date, the close of business on the calendar day prior to the Closing Date) or an amount agreed upon and determined by the Issuer, Security Trustee and a replacement or successor servicer in the event that the Servicer is replaced or succeeded by an entity in accordance with the terms of the Servicing Agreement.	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Cash Management Fee	0.02 per cent. per annum (inclusive of VAT) on the aggregate Current Balance of all Loans in the Portfolio as determined as at the close of business on the last day of the immediately preceding Interest Period (or, with respect to the first Interest Payment Date, the close of business on the calendar day prior to the Closing Date).	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Other Fees and Expenses of the Issuer	Estimated at £92,400 each year (exclusive of VAT).	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Rated Notes	Estimated at £7,500 (exclusive of VAT).		On or about the Closing Date

Subject to the following, the servicing fee and the cash management fee set out in the preceding table are inclusive of value added tax (**VAT**) (if any). United Kingdom VAT is currently assessed at 20 per cent., and the aggregate amount payable in respect of such services will not be adjusted in the event of any change in the rate of VAT.

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

Initial Portfolio

Under the Mortgage Sale Agreement, on the Closing Date, the Seller will:

- (a) assign to the Issuer by way of equitable assignment, a portfolio of mortgage loans originated or acquired by the Seller and secured over residential properties located in England and Wales and their associated mortgages and other Related Security (together, the **English Loans**); and
- (b) hold on trust for the benefit of the Issuer under the initial Scottish Declaration of Trust, a portfolio of mortgage loans originated or acquired by the Seller and secured over residential properties located in Scotland (the **Scottish Loans** and, together with the English Loans, the **Initial Loans**) and associated first ranking standard securities (together with the mortgages associated with the English Loans, the **Initial Mortgages** and, together with the other Related Security for the Initial Loans, the **Initial Related Security**),

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

Any sale of English Loans (together with their Related Security) after the Closing Date will be assigned by way of equitable assignment to the Issuer.

Any sale of Scottish Loans after the Closing Date will be given effect by further Scottish Declarations of Trust under which the beneficial interest in the relevant Scottish Loans and their Related Security will be held by the Issuer.

The consideration due to the Seller in respect of the sale of the Initial Portfolio is the aggregate of:

- (a) an amount equal to the Current Balance of the Loans in the Initial Portfolio on the Closing Date (the **Initial Consideration**); and
- (b) a covenant by the Issuer to pay the Deferred Consideration in respect of the sale of the Initial Portfolio.

The Deferred Consideration 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 a Note Acceleration Notice on the Issuer*" below.

In relation to the Scottish Loans, the terms, when used in the Mortgage Sale Agreement and the other Transaction Documents, (i) **sale**, **sell** and **sold** are construed to mean such Scottish Loans and their Related Security being held on trust under the relevant Scottish Declaration of Trust, and (ii) **repurchase** and **repurchased** are construed to include the repurchase of the beneficial interest of the Issuer in respect of such Scottish Loans and their Related Security under the relevant Scottish Declaration of Trust (as applicable).

New Portfolios

In any Monthly Period during the Revolving Period, the Seller may sell new residential mortgage loans (together with the Initial Loans, as the context requires, the **Loans**), and, together with the other security for the new Loans (and, together with the Initial Related Security, as the context requires, the **Related Security**) to the Issuer on any Business Day following the Monthly Pool Date for that Monthly Period, if the Cash Manager ascertains on behalf of the Issuer that there are sufficient funds standing to the credit of the Class A3 Reserve Ledger and (once all amounts standing to the credit of the Class A3 Reserve Ledger have been used) the Principal Ledger after making the requisite Intra-Period Deductions (as defined below), to pay for the requisite New Portfolio Purchase Price on the relevant Sale Date(s). Each new Loan and its Related Security and all monies derived therefrom from time to time are referred to herein as a **New Portfolio**. The Loans and the Related Security and all monies derived therefrom from time to time are referred to herein as the **Portfolio**.

The date that each new Loan and its Related Security is sold to the Issuer is referred to herein as the **Sale Date**.

The consideration due to the Seller in respect of the sale of any new Loans and their Related Security is the aggregate of:

- (a) an amount equal to the aggregate of the Current Balance of the new Loans on the relevant Sale Date (the **New Portfolio Purchase Price**); and
- (b) a covenant by the Issuer to pay the Deferred Consideration in respect of the sale of the new Loans.

The Seller (or the Servicer on behalf of the Seller) shall notify the Issuer on each Sale Date of the New Portfolio Purchase Price due and payable by the Issuer in respect of each New Portfolio to be sold to the Issuer on such Sale Date. The Issuer shall pay to the Seller:

- (a) on the applicable Sale Date, such New Portfolio Purchase Price by using amounts standing to the credit of the Class A3 Reserve Ledger and (once all amounts standing to the credit of the Class A3 Reserve Ledger has been used) the Principal Ledger following the deduction of:
 - (i) such amounts applied to pay all amounts of Further Advance Purchase Price due on the Monthly Pool Date for the Monthly Period in which the Sale Date occurs;
 - (ii) the requisite reserve amount for the Issuer to repay the Class A1a Notes on the following Interest Payment Date down to the applicable Class A1a Target Amortisation Amount for that Interest Payment Date pursuant to item (a)(v)(A) of the Pre-Enforcement Principal Priority of Payments (such amount to be reserved on the Principal Ledger to be applied as Available Principal Receipts);
 - (iii) the requisite reserve amount for the Issuer to repay the portion of the Retention Note comprised by Retention Tranche A1a on the following Interest Payment Date down to the applicable Retention Tranche A1a Target Amortisation Amount for that Interest Payment Date pursuant to item (a)(v)(B) of the Pre-Enforcement Principal Priority of Payments (such amount to be reserved on the Principal Ledger to be applied as Available Principal Receipts);
 - (iv) the requisite reserve amount for the Issuer to repay the Class A1b Notes on the following Interest Payment Date down to the applicable Class A1b Target Amortisation Amount for that Interest Payment Date pursuant to item (a)(v)(C) of the Pre-Enforcement Principal Priority of Payments (such amount to be reserved on the Principal Ledger to be applied as Available Principal Receipts);
 - (v) the requisite reserve amount for the Issuer to repay the portion of the Retention Note comprised by Retention Tranche A1b on the following Interest Payment Date down to the applicable Retention Tranche A1b Target Amortisation Amount for that Interest Payment Date pursuant to item (a)(v)(D) of the Pre-Enforcement Principal Priority of Payments (such amount to be reserved on the Principal Ledger to be applied as Available Principal Receipts);
 - (vi) the requisite reserve amount for the Issuer to repay the Class A2 Notes on the following Interest Payment Date down to the applicable Class A2 Target Amortisation Amount for that Interest Payment Date pursuant to item (a)(v)(E) of the Pre-Enforcement Principal Priority of Payments (such amount to be reserved on the Principal Ledger to be applied as Available Principal Receipts); and
 - (vii) the requisite reserve amount for the Issuer to repay the portion of the Retention Note comprised by Retention Tranche A2 on the following Interest Payment Date down to the applicable Retention Tranche A2 Target Amortisation Amount for that Interest Payment Date pursuant to item (a)(v)(F) of the Pre-Enforcement Principal Priority of Payments (such amount to be reserved on the Principal Ledger to be applied as Available Principal Receipts);

(the deductions referred to in limbs (i), (ii), (iii), (iv), (v), (vi) and (vii) above shall be referred to as the **Intra-Period Deductions**); and
- (b) the Deferred Consideration in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable).

If the Issuer is unable to fund the purchase of any New Portfolios on any Sale Date (in whole or in part), then the relevant New Portfolio Purchase Price Shortfall Amount shall be recorded to the debit of the New Portfolio Purchase Price Ledger in accordance with the Cash Management Agreement. The payment of the relevant New Portfolio Purchase Price Shortfall Amount shall be deferred to the following Interest Payment Date on which the Issuer will apply Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments to eliminate (to the extent possible) remaining any debit balance on the New Portfolio Purchase Price Ledger as at that Interest Payment Date. If the Issuer is unable to eliminate the remaining debit balance on the New Portfolio Purchase Price Ledger on such Interest Payment Date (following the application of the Pre-Enforcement Principal Priority of Payments and any Subordinated Note Drawing and the corresponding Retention Note Drawing to meet the relevant New Portfolio Purchase Price Shortfall Amount), then the Seller must offer to repurchase the relevant new Loan and its Related Security from the Issuer, on the Business Day immediately following such Interest Payment Date, at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase.

The Seller will select the new Loans to be offered to the Issuer during the Revolving Period using a system containing defined data on each of the qualifying new Loans in the Seller's overall portfolio of loans available for selection. This system allows the setting of exclusion criteria, among others, corresponding to relevant representations and warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans. See "*—Representations and Warranties*" below. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. From this subset, new Loans are selected until the target balance for new Loans has been reached or the subset has been exhausted. After a portfolio of new Loans is selected in this way, the constituent new Loans are monitored so that they continue to comply with the relevant New Portfolio Conditions on the Sale Date. Please see further "*—Description of the Loans*" below.

The sale of new Loans and their Related Security to the Issuer will in all cases be subject to the following conditions as at the relevant Sale Date:

- (a) the documents required to be delivered pursuant to the Mortgage Sale Agreement in connection with the sale and purchase of such New Portfolio are delivered to the Issuer;
- (b) no Event of Default shall have occurred which is continuing or remains unwaived;
- (c) the purchase by the Issuer of the new Loans and any respective new Related Security, would not cause the then current rating of the Rated Notes to be downgraded, qualified or withdrawn;
- (d) the new Loan is not in breach of any of the Loan Warranties;
- (e) the Sale Date falls on a date which is prior to the Step-Up Date;
- (f) no Revolving Period Termination Event has occurred or will occur as a result of the sale and purchase of such New Portfolio;
- (g) on the relevant Sale Date, the Weighted Average Current LTV of all new Loans in the New Portfolio will not exceed 70 per cent.;
- (h) on the relevant Sale Date, the Current Balance of the new Loans in the New Portfolio (including Further Advances) with an Original LTV of more than 80 per cent. will not exceed 35 per cent of the aggregate Current Balance of the new Loans in the New Portfolio;
- (i) on the relevant Sale Date, the Current Balance of the interest-only new Loans in the New Portfolio will not exceed 11.5 per cent of the aggregate Current Balance of the new Loans in the New Portfolio;
- (j) on the relevant Sale Date, there are no new Loans in the New Portfolio which are in arrears for one month or more;
- (k) on the relevant Sale Date, the Current Balance of the new Loans which are Scottish Loans in the New Portfolio will not exceed 15 per cent of the aggregate Current Balance of the new Loans in the New Portfolio;

- (l) on the relevant Sale Date, the fixed rate period applicable to each new Loan (if relevant) will terminate on a date prior to and including 28 February 2026;
- (m) on the relevant Sale Date, the weighted average remaining life of the fixed rate period of the Fixed Rate Loans in the New Portfolio will not exceed 3 years;
- (n) on the relevant Sale Date, the weighted average yield of the New Portfolio excluding all Fixed Rate Loans will exceed the Minimum Non-Fixed Yield;
- (o) with respect to new Loans which are Fixed Rate Loans, the Issuer has, where required, entered into appropriate hedging arrangements in respect of such new Loans;
- (p) on the relevant Sale Date, to the best of the Seller's knowledge, no Borrower had ever filed for bankruptcy or individual voluntary arrangements or had a CCJ or court decree awarded against that Borrower on or before the origination of any new Loan;
- (q) on the relevant Sale Date, the aggregate Current Balance of Fixed Rate Loans in the Portfolio does not exceed £2,063,997,000; and
- (r) on the relevant Sale Date, the Current Balance of the Loans with Borrowers who are self-employed in the New Portfolio will not exceed 17.5 per cent. of the aggregate Current Balance of the Loans in the New Portfolio,

(items (a) to (r) above, collectively, the **New Portfolio Conditions**).

The Seller is not obliged to sell new Loans to the Issuer if, in the Seller's opinion, it would adversely affect the business of the Seller.

Title to the Mortgages, Registration and Notifications

Each sale of English Loans and their Related Security to the Issuer has been or will be made by way of equitable assignment. Each sale of Scottish Loans and their Related Security to the Issuer has been or will be made by way of Scottish Declarations of Trust under which the beneficial interest in such Scottish Loans has been or will be transferred to the Issuer. Legal assignment or assignation of the Loans and their Related Security (including, where appropriate, their registration or recording in the relevant property register) to the Issuer will be deferred and will only take place, if at all, in the limited circumstances described below. Notice of the sale of the Loans and their Related Security to the Issuer will not (except as stated below) be given to any Borrower. See "*Risk Factors—Portfolio—Seller to Initially Retain Legal Title to the Loans*".

Legal assignment or assignation of the Loans and their Related Security to the Issuer will be completed within 25 Business Days of receipt of written notice from the Issuer requesting that the Seller take such actions. The Issuer will undertake that it will not make such a request unless any of the following events occur:

- (a) the Seller being required to perfect transfer of legal title to the Loans and their Related Security (i) by an order of a court of competent jurisdiction or (ii) by any regulatory authority of which the Seller is a member and with whose instructions it is customary for the Seller to comply; or
- (b) it becoming necessary by law to perfect legal title to the Loans and their Related Security; or
- (c) the property, assets and rights of the Issuer comprised in the security constituted by the Deed of Charge being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Note Trustee (on behalf of the Noteholders) so long as any Notes are outstanding or the other Secured Creditors if no Notes are then outstanding to take action to reduce that 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) a Seller Insolvency Event,

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

A **Seller Insolvency Event** will occur in the following circumstances:

- (a) an order is made or an effective resolution passed for the winding up of the Seller (or it proposes or makes any composition or arrangement with its creditors); or
- (b) the Seller ceases or threatens to cease to carry on the whole or substantially the whole of its business or stops payment or threatens to stop payment of its debts or is deemed unable to pay its debts within the meaning of section 123(1)(a) of the Insolvency Act (on the basis that the reference in such section to £750 was read as a reference to £10 million), section 123(1)(b), (d) and (e), 123(1)(c) (on the basis that the words “for a sum exceeding £10 million” were inserted after the words “extract registered bond” and “extract registered protest”) and 123(2) of the Insolvency Act (as that section may be amended) or the value of its assets falls to less than the amounts of its liabilities (taking into account, for both these purposes, contingent and prospective liabilities) or otherwise becomes insolvent; or
- (c) proceedings (including, but not limited to, presentation of an application for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) are initiated against the Seller under any applicable liquidation, administration, reorganisation (other than a reorganisation where the relevant entity is solvent) or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or the substantial part of the undertaking or assets of the Seller or the appointment of an administrator takes effect; or a distress, execution or diligence or other process is enforced upon the whole or the substantial part of the undertaking or assets of the Seller and in any of the foregoing cases it is not discharged within 30 Business Days.

The title deeds and customer files relating to the Portfolio are currently held by or to the order of the Seller. The Seller has undertaken that all the title deeds and customer files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs.

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

On the Closing Date the Seller will grant a security power of attorney to the Issuer and the Security Trustee allowing any of the Issuer and the Security Trustee, any Receiver or administrator appointed in respect of the Issuer or its assets and their delegates from time to time (inter alia) the right to set the Standard Variable Rate and any other Discretionary Rate in the circumstances set out in the Servicing Agreement and/or following the occurrence of a Perfection Event (the **Seller Power of Attorney**).

Representations and Warranties

The Seller has made (or, as the case may be, will make) to the Issuer and the Security Trustee, the Loan Warranties (as defined below):

- (a) in respect of each Initial Loan and its Related Security as at the Closing Date (including the Loan Warranties set out in Parts 1 and 2 below);
- (b) in respect of each new Loan and its Related Security, as at the relevant Sale Date (as if references in Parts 1 and 2 of the Loan Warranties to the “Loan” include the relevant new Loan without prejudice to any of those Loan Warranties explicitly stated to not apply to new Loans);
- (c) in relation to any Further Advance as at the relevant Advance Date, (as if references in Parts 1 and 2 of the Loan Warranties to the “Loan” include the relevant Loan subject to a Further Advance); and
- (d) in relation to each Loan which is subject to a Product Switch as at the relevant Switch Date (as if references in Parts 1 and 2 of the Loan Warranties to the “Loan” include the relevant Loan subject to a Product Switch).

The **Loan Warranties** to be given by the Seller will include, inter alia, the following representations and warranties:

Part 1

A. The Loans

- (a) Each Loan was originated by the Seller, or acquired by the Seller as part of a Part VII transfer occurring in 2013, in pounds Sterling in the ordinary course of business and is denominated in pounds Sterling (or was originated and is denominated in Euro if the Euro has been adopted as the lawful currency for the time being of the United Kingdom).
- (b) Prior to the making of each advance under a Loan, the Lending Criteria and all preconditions to the making of such advance were satisfied in all material respects subject only to exceptions as would be acceptable to a Reasonable Prudent Mortgage Lender.
- (c)
 - (i) Each Loan was made and its Related Security taken or received substantially 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.
 - (ii) The brochures, application forms, offers, offer conditions and marketing material distributed by or on behalf of the Seller to the Borrower when offering a Loan to a Borrower 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.
- (d) No Loan is guaranteed by a third party save where the guarantee constitutes legal, valid and binding obligations of the guarantor enforceable in accordance with its terms.
- (e) Interest on each Loan is charged in accordance with the Standard Documentation.
- (f) No Loan, whether alone or with any related agreement, gives rise to any unfair relationship between the creditor and the debtor for the purposes of Sections 140A to 140D of the CCA.
- (g) All of the Borrowers are individuals (and not partnerships) and were aged 18 years or older at the date of execution of the Mortgage.

B. The Mortgages

- (a) The whole of the Current Balance on each Loan is secured by the relevant Mortgage.
- (b) Each Mortgage is in the form of the relevant pro forma contained in the Standard Documentation which was applicable at the time the Mortgage was executed.
- (c) Each Mortgage (including any Further Advances thereunder) constitutes a valid and subsisting first charge by way of legal mortgage (or in Scotland) first ranking standard security over the relevant Property, and subject only in certain appropriate cases to applications for registrations or recordings at the Land Registry of England and Wales or in the Registers of Scotland which, where required, have been made and are pending and in relation to such cases the Seller is not aware of any notice or any other matter that would prevent such registration or recording.
- (d) Each Mortgage has first priority for the whole of the Current Balance on the Loan and all future interest, fees, costs and expenses payable under or in respect of such Mortgage.
- (e) Each Loan and its Related Security is, save in relation to any term in any Loan and Related Security which is not binding by virtue of the Unfair Terms in Consumer Contracts Regulations 1994 or (as the case may be) the Unfair Terms in Consumer Contracts Regulations 1999, valid and binding and enforceable in accordance with its terms and is non-cancellable. To the best of the Seller's knowledge, none of the terms in any Loan or their Related Security, save for any term which relates to early repayment charges, the power to vary closing administration charges and the power to recover indemnity costs is unfair within the meaning of the Unfair Terms in Consumer Contracts

Regulations 1994 or (as the case may be) the Unfair Terms in Consumer Contracts Regulations 1999. In this warranty, references to any legislation shall be construed as a reference to that legislation as amended, extended or re-enacted from time to time.

- (f) As at the Closing Date, the relevant Sale Date, Advance Date or Switch Date (as applicable), 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.
- (g) 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.

C. The Properties

- (a) Each Property constitutes or is expected to constitute a separate dwelling unit and is either freehold (or the Scottish equivalent), leasehold or commonhold.
- (b) Save for children of Borrowers and lessees and children of someone living with the Borrower and lessee, every person who, at the date upon which an English Mortgage was granted, had attained the age of seventeen, had the mental capacity to sign a Deed of Consent and was in or about to be in actual occupation of the relevant Property, is either named as a Borrower or has signed a Deed of Consent in the form of the pro forma contained in the Standard Documentation which was applicable at the time the Mortgage was executed. In respect of a Mortgage over Property situated in Scotland, all necessary MHA/CP Documentation has been obtained so as to ensure that neither the relevant Property nor the relevant Mortgage is subject to or affected by any statutory right of occupancy.

D. Valuers' and solicitors' reports

- (a) In respect of the Loans, the Seller will either have obtained a Valuation Report or other evidence of value, the contents of which were such as would be acceptable to a Reasonable Prudent Mortgage Lender or, in appropriate cases (as would be acceptable to a Reasonable Prudent Mortgage Lender), relied on the relevant Borrower's estimate of value.
- (b) Prior to the taking of each Mortgage (other than a remortgage), the Seller (1) instructed its solicitor or licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant mortgaged property and to undertake other searches, investigations, enquiries and other actions on behalf of the Seller, in accordance with the instructions which the Seller issued to the relevant solicitor or licensed conveyancer or (in Scotland) qualified conveyancer as are set out in the applicable CML's Lenders' Handbook or other comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place, subject only to those variations made on a case-by-case basis as would be acceptable to a Reasonable Prudent Mortgage Lender; and (2) received a Certificate of Title from such solicitor or licensed conveyancer or (in Scotland) qualified conveyancer relating to such mortgaged property, the contents of which would have been acceptable to a Reasonable Prudent Mortgage Lender at that time.

E. General

- (a) The Seller has, since the making of or acquisition of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all variations in the relevant financial terms and conditions, transactions, payments, payment holidays, receipts, proceedings and notices relating to such Loan.

Part 2

A. The Loans

- (a) The particulars of the Loans set out in Part 1 (Initial Portfolio) of Appendix 1 (Documents Related to the Initial Portfolio) of the Mortgage Sale Agreement (or, as the case may be, the relevant New Portfolio Notice and each Scottish Declaration of Trust) are true, complete and accurate in all material respects.

- (b) Beginning on the first Sale Date following delivery by the Seller of notice pursuant to the Mortgage Sale Agreement that this representation and warranty is applicable, subject to the approval of the Commission Delegated Regulation by the European Parliament and Council, each Loan is of a type described in paragraph 2(g)(i) of Article 13 (*Level 2B securitisations*) in the European Commission adopted text of the Commission Delegated Regulation supplementing Regulation (EU) 575/2013 with regard to the liquidity coverage requirement for Credit Institutions of 10 October 2014 (or, if different, the equivalent provisions in such approved version of such Commission Delegated Regulation) and/or in accordance with any official guidance issued in relation thereto.
- (c) No Loan was originated earlier than 1 January 2000.
- (d) The final maturity date of each Loan falls on a date which is at least 2 years prior to the Final Legal Maturity Date.
- (e) No Loan has an Original LTV greater than 95 per cent.
- (f) As at the Closing Date, the relevant Sale Date, Advance Date or Switch Date (as applicable), no Loan has a Current Balance of more than £1,000,000.
- (g) As at the Closing Date, no Initial Loan has an Indexed LTV greater than 95 per cent.
- (h) The brochures, application forms, offers, offer conditions and marketing material distributed by or on behalf of the Seller to the Borrower when offering a Loan to a Borrower do not conflict with, and would not prohibit or otherwise limit the terms of, the Transaction Documents or the matters contemplated thereby, including without limitation:
 - (A) the assignment and assignation of the Loans and their Related Security or the granting of each Scottish Declaration of Trust; and
 - (B) the administration of the Loans and their Related Security by the Servicer or a delegate of the Servicer or the appointment of a new Servicer following the occurrence of an Insolvency Event in relation to the Servicer.
- (i) At least one Monthly Payment has been made in respect of each Loan or, in the case of a Product Switch or Further Advance, the original advance.
- (j) So far as the Seller is aware, other than with respect to Monthly Payments, no Borrower is or has, since the date of the execution of the relevant Mortgage, been in material breach of any obligation owed in respect of the relevant Loan or its Related Security and accordingly no steps have been taken by the Seller to enforce any Related Security.
- (k) To the best of the Seller's knowledge, no Borrower had ever filed for bankruptcy or been sequestrated or had a county court judgment or court decree entered or awarded against him on or prior to the date they executed the relevant Mortgage.
- (l) No Loan was one or more months in arrears in the 12 months preceding the Closing Date, the relevant Sale Date, Advance Date or Switch Date (as applicable), or, if such Loan was originated on a date within twelve (12) months of the Closing Date, the relevant Sale Date, Advance Date or Switch Date (as applicable), in the period from the date of such Loan's origination.
- (m) No Loan was or is, as at the Closing Date, the relevant Sale Date, Advance Date or Switch Date (as applicable), a Right-To-Buy Loan, a Buy-to-Let Loan, a Self-Certified Loan or an Equity Release Mortgage Loan (as defined in the PCS Rulebook).
- (n) Each Loan has a positive Current Balance.
- (o) Under current law and as the transaction is structured, amounts due under the Loans are not subject to withholding or deduction for or on account of any tax in their jurisdiction of origination.
- (p) No lien or contractual right of set-off or counterclaim has been created or arisen which would reduce the amount payable under the Loan between the Seller and the relevant Borrower.
- (q) No Loan was originated under a Staff Scheme.

B. The Properties

- (a) All of the Properties are located in England, Wales or Scotland.
- (b) No Loan relates to a Property which is not a residential Property.

C. Insurance

- (a) So far as the Seller is aware, buildings insurance cover for such Property is available under a policy arranged by the Borrower or by or on behalf of the Seller or a buildings insurance policy arranged by the relevant landlord or the Properties in Possession Cover.
- (b) No act, event or circumstance has occurred which would adversely affect the Properties in Possession Cover or entitle the insurers to refuse to make payment thereunder or to reduce the amount payable in respect of any claim thereunder.

D. The Seller's title

- (a) The Seller has full right, good and valid title to, and is the absolute unencumbered legal and beneficial owner of all property, interests, rights and benefits agreed to be sold by the Seller to the Issuer under the Mortgage Sale Agreement free and clear of all Security Interests, claims and equities (including, without limitation, rights of set-off or counterclaim and unregistered dispositions which override first registration and unregistered interests which override registered dispositions (as listed in Schedule 1 and Schedule 3, respectively, of the Land Registration Act 2002) in the case of any property, interests or rights governed by English law) and the Seller is not in breach of any covenant implied by reason of its selling the relevant Portfolio with full title guarantee or with absolute warrandice or as beneficial owner, as the case may be.
- (b) All steps necessary to perfect the Seller's title to the Loans and the Related Security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay.
- (c) The customer files relating to each of the Loans and their Related Security are held by, or are under the control of:
 - (i) the Seller;
 - (ii) the Servicer; or
 - (iii) the Seller's solicitors or licensed conveyancers or (in Scotland) qualified conveyancers to the order of the Seller.
- (d) Neither the entry by the Seller into the Mortgage Sale Agreement nor any transfer, assignment, assignation or creation of trust contemplated by the Mortgage Sale Agreement adversely affects or will adversely affect any of the Loans and their Related Security (including, without limitation, the Insurance Policies) and the Seller may freely assign and enter into trust arrangements in respect of all its rights, title, interests and benefits therein as contemplated in the Mortgage Sale Agreement without breaching any term or condition applying to any of them.
- (e) The Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Loan or its Related Security, other than waivers and acquiescence such as a Reasonable Prudent Mortgage Lender might make on a case by case basis.
- (f) 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.

- (g) As at the Closing Date, the relevant Sale Date, Advance Date or Switch Date (as applicable), each Mortgage and its Related Security has been transferred, 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.

E. General

- (a) Neither the Seller nor, as far as the Seller is aware, any of its agents has received written notice of any litigation, claim, dispute or complaint (in each case, subsisting, threatened or pending) in respect of any Borrower, Property, Loan, Mortgage, Related Security, relevant policy or Properties in Possession Cover which (if adversely determined) might have a material adverse effect on the Portfolio or any part of it.
- (b) There are no authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or to perform its obligations under the Mortgage Sale Agreement or to make the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence.

Bank of England Base Rate means the Bank of England's official dealing rate (the repo rate) as set by the UK Monetary Policy Committee and, in the event that this rate ceases to exist or becomes inappropriate as an index for the Standard Variable Rate and the Tracker Rate Loans, such alternative rate or index which is not controlled by the Seller, that the Seller considers to be the most appropriate in the circumstances.

Buy-to-Let Loans means Loans taken out by Borrowers in relation to the purchase or re-mortgage of properties for letting purposes.

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

Deed of Consent means a deed whereby a person in or intended to be in occupation of a Property agrees with the Seller to postpone his or her interest (if any) in the Property so that it ranks after the interest created by the relevant Mortgage (as the same may be amended, restated, varied, supplemented, replaced or novated from time to time).

Discretionary Rate means the Standard Variable Rate, the Homeowner Variable Rate and/or any other discretionary rates or margins of the Seller applicable to the Discretionary Rate Loans.

Discretionary Rate Loans means loans subject to one of the Seller's Discretionary Rates, including the Homeowner Variable Rate, which is the Seller's current reversionary rate.

Homeowner Variable Rate or HVR means the Seller's current reversionary rate, being 3.99 per cent. as at the Closing Date, as administered, at the discretion of the Seller, by reference to the general level of interest rates and competitive forces in the UK mortgage market.

Fixed Rate Loans means those Loans where the interest rate payable by the Borrower does not vary and is fixed for a certain period of time by the Seller.

In Arrears or **in arrears** means, in respect of a Mortgage Account, that one or more Monthly Payments in respect of such Mortgage Account have become due and remain unpaid (either in whole or in part) by a Borrower.

Indexed LTV means the ratio (expressed as a percentage) of the Current Balance of the relevant Loan divided by the indexed valuation of the relevant Property based on the "Regional Halifax House Price Index on a Quarterly Basis (rounded to one decimal place)", from the date of the latest recorded valuation of the Property to the Closing Date (with respect to any Loan comprised in the Initial Portfolio) or the relevant Sale Date (in respect of any Loan purchased by the Issuer following the Closing Date), the relevant Advance Date (in respect of any Further Advance purchased by the Issuer following the Closing Date) or the relevant Switch Date (in respect of any Product Switch made by the Issuer following the Closing Date).

Insolvency Event means, in respect of the Servicer, the Corporate Services Provider or the Cash Manager (each, for the purposes of this definition, a Relevant Entity):

- (a) an order is made or an effective resolution passed for the winding up of the Relevant Entity; or
- (b) the Relevant Entity ceases or threatens to cease to carry on the whole of its business or stops payment or threatens to stop payment of its debts or is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amounts of its liabilities (taking into account, for both these purposes, contingent and prospective liabilities) or otherwise becomes insolvent; or
- (c) proceedings (including, but not limited to, presentation of an application for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) are initiated against the Relevant Entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the Relevant Entity is solvent) or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or the substantial part of the undertaking or assets of the Relevant Entity or the appointment of an administrator takes effect; or a distress, execution or diligence or other process is enforced upon the whole or the substantial part of the undertaking or assets of the Relevant Entity and in any of the foregoing cases it is not discharged within 15 Business Days; or if the Relevant Entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness.

Insurance Policies means the Properties in Possession Cover and Insurance Policy shall be construed accordingly.

Land Registry means the body responsible for recording details of land in England and Wales.

Loan Repurchase Notice means a notice substantially in the form set out in Part 1 (*Loan Repurchase Notice*) of Schedule 7 (*Loan repurchase documentation*) to the Mortgage Sale Agreement.

LTV, LTV ratio or loan-to-value ratio means the ratio (expressed as a percentage) of the Current Balance of a Loan to the value of the Property securing that Loan.

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.

Minimum Non-Fixed Yield means a rate equal to the Bank of England Base Rate plus 2 per cent.

Monthly Payment means the amount which the relevant Loan Conditions require a Borrower to pay on each Monthly Payment Date in respect of that Borrower's Loan.

Monthly Payment Date means the date in each month on which interest (and principal in relation to a Repayment Loan) is due to be paid by a Borrower on a Loan under the applicable Mortgage Terms.

Monthly Pool Date means the 8th Business Day of each calendar month;

Monthly Test Date means the 5th Business Day of each calendar month;

Mortgage Conditions means the terms and conditions applicable to a Loan and/or Mortgage as contained in the Seller's "Mortgage Conditions" booklet applicable from time to time and the Offer Conditions.

Mortgage Terms means all the terms and conditions applicable to a Loan and/or Mortgage, including, without limitation, the applicable Mortgage Conditions, Loan Conditions and Offer Conditions.

New Portfolio Notice means a notice substantially in the form set out in the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement.

Offer Conditions means the terms and conditions applicable to a specified Loan as set out in the relevant offer letter to the Borrower.

Original Loan to Value or **OLTV** means with respect to any Loan, the ratio (expressed as a percentage) of the original balance of that Loan to the original valuation amount of the Property securing that Loan as at the completion date for that Loan.

Properties in Possession Cover means the properties in possession cover written by HDI Gerling for Loans in favour of the Seller and any endorsements or extensions thereto as issued from time to time, or any such similar alternative or replacement properties in possession policy or policies as may be issued from time to time in favour of the Seller.

Registers of Scotland means the General Register of Sasines or Land Register of Scotland (as appropriate).

Right-To-Buy Loan means the Loans and their Related Security in the Portfolio that were 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).

Security Interest means any mortgage, sub-mortgage, standard security, charge, sub-charge, pledge, lien (other than a lien arising in the ordinary course of business or by operation of law), assignation in security or other encumbrance or security interest howsoever created or arising.

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.

Staff Scheme means a loan product type offered to employees of TSB Bank; for the avoidance of doubt, Mortgages to TSB Bank employees which are originated from the standard product range and are available with no concessions are not considered Loans originated under a Staff Scheme.

Standard Documentation means the standard documentation, a list of which is set out in Part 2 (*Standard Documentation*) of Appendix 1 (*Documents related to the Initial Portfolio*) to the Mortgage Sale Agreement, or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable Prudent Mortgage Lender.

Standard Variable Rate or **SVR** means the Seller's discretionary rate capped at 2 per cent. above the Bank of England Base Rate, but otherwise administered, at the discretion of the Seller, by reference to the general level of interest rates and competitive forces in the UK mortgage market.

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

Valuation Report means the valuation report or reports for mortgage purposes obtained by the Seller from a Valuer in respect of each relevant Property or a valuation report in respect of a valuation of a Property made using a methodology which would be acceptable to a Reasonable Prudent Mortgage Lender and which has been approved by the Seller (or his successor).

Valuer means an Associate or Fellow of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers who was at the relevant time a member of a firm which was on the list of Valuers approved by or on behalf of the Seller from time to time.

Part 3: Further Advances and Product Switches

- (a) The Further Advance is secured by a Mortgage constituting a valid and subsisting first charge by way of legal mortgage or, in Scotland, first ranking standard security over the relevant Property, subject only, in appropriate cases, to registration or recording at the Land Registry or Registers of Scotland.
- (b) The Product Switch will be similar to switches offered to the Seller's mortgage borrowers whose mortgages do not form part of the Portfolio.
- (c) There is no Seller Insolvency Event occurring as at the relevant Advance Date or Switch Date.

Further Advances

At any time prior to the redemption in whole of the Notes and subject to satisfaction of certain conditions, if a Borrower requests or the Seller (or the Servicer on behalf of the Seller) offers, the Seller may (but is not obliged to), make a Further Advance under the relevant Loan. The Seller will only make a Further Advance if making such Further Advance is consistent with the Seller's Policy. The Seller or the Servicer (on behalf of the Seller) will be solely responsible for offering and documenting any Further Advance and, if a Further Advance is made, the Seller will be solely responsible for funding and documenting such Further Advance.

If a Further Advance is made by the Seller, the Further Advance will be transferred to the Issuer on the relevant Advance Date (subject to a further Scottish Declaration of Trust being declared in respect of each Scottish Discretionary Further Advance on or prior to the Monthly Pool Date falling in the Monthly Period immediately following the relevant Advance Date) and the Issuer will pay the Seller an amount equal to the principal amount of the relevant Further Advance (the **Further Advance Purchase Price**) on the Monthly Pool Date immediately following the Monthly Period in which such Advance Date occurred. Payment of all Further Advance Purchase Price amounts due on any Monthly Pool Date will be made from amounts standing to the credit of the Class A3 Reserve Ledger and (once all amounts standing to the credit of the Class A3 Reserve Ledger have been used) the Principal Ledger (and, to the extent that such sums are insufficient so that there is a Further Advance Purchase Price Shortfall Amount, the Issuer will draw an amount under the Subordinated Note equal to any relevant Further Advance Purchase Price Shortfall Amount and the amount of such drawing shall be credited to the Principal Ledger and applied in payment of Further Advance Purchase Price amounts). The right to the interest and benefit interest in the Further Advances shall pass to the Issuer automatically on the relevant Advance Date (subject to a further Scottish Declaration of Trust being declared in respect of each Scottish Discretionary Further Advance on or prior to the Monthly Pool Date falling in the Monthly Period immediately following the relevant Advance Date) notwithstanding that the Further Advance Purchase Price payable for such Further Advances shall not be paid by the Issuer until at least the Monthly Pool Date immediately following the Monthly Period in which the relevant Advance Date occurred. The Seller (or the Servicer on behalf of the Seller) shall notify the Issuer and the Cash Manager on the first Business Day of each Monthly Period of the aggregate Further Advance Purchase Price due and payable by the Issuer in respect of the Further Advances sold to the Issuer during the preceding Monthly Period. On the Monthly Pool Date immediately following the Monthly Period in which the relevant Advance Dates occurred, the Issuer shall pay such aggregate Further Advance Purchase Price by using amounts standing to the credit of the Class A3 Reserve Ledger and (once all amounts standing to the credit of the Class A3 Reserve Ledger have been used) the Principal Ledger on a first in first out basis and (if required) drawing an amount under the Subordinated Note on or prior to that Monthly Pool Date equal to any relevant Further Advance Purchase Price Shortfall Amount, in each case pursuant to the Cash Management Agreement.

A **Scottish Discretionary Further Advance** means a Further Advance granted in respect of a Scottish Loan, at the discretion of the Seller or the Servicer (on behalf of the Seller), on terms of which were not contemplated by the Mortgage Conditions for that Scottish Loan as at the Closing Date or its Sale Date (as applicable).

If the Issuer is unable to fund the purchase of any Further Advance on a Monthly Pool Date (in whole or in part) from amounts standing to the credit of the Class A3 Reserve Ledger, the Principal Ledger and (if required) drawing an amount under the Subordinated Note on or prior to that Monthly Pool Date equal to any relevant Further Advance Purchase Price Shortfall Amount, such shortfall amount shall be recorded by the Cash Manager to the debit of the Further Advance Purchase Price Ledger in accordance with the Cash Management Agreement. The payment of the relevant Further Advance Purchase Price Shortfall Amount

shall therefore be deferred to the following Monthly Pool Date(s) and become payable on such date(s) in accordance with the Mortgage Sale Agreement until all Further Advance Purchase Price Shortfall Amounts have been paid by the Issuer to the Seller.

The Issuer will also apply Available Principal Receipts in accordance with item (a)(iv) of the Pre-Enforcement Principal Priority of Payments to eliminate (to the extent possible) remaining debit balances on the Further Advance Purchase Price Ledger on any Interest Payment Date.

If, on a Monthly Test Date, the Seller (or the Servicer on behalf of the Seller) determines that a Further Advance advanced to a Borrower is a Non-Eligible Further Advance, the Seller must offer to repurchase the relevant Loan and its Related Security from the Issuer (such repurchase to be completed on or prior to the Monthly Pool Date immediately following such Monthly Test Date), at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase.

Product Switches

At any time prior to the redemption in whole of the Notes and subject to satisfaction of certain conditions, if a Borrower requests, or the Seller (or the Servicer on behalf of the Seller) offers, a Product Switch under a Loan, the Seller or the Servicer (on behalf of the Seller) will be solely responsible for offering and documenting that Product Switch. The Seller will only make a Product Switch if making such Product Switch is consistent with the Seller's Policy.

Any Loan which has been subject to a Product Switch will remain in the Portfolio (subject to a further Scottish Declaration of Trust being declared in respect of each Scottish Loan subject to a Product Switch, if required on or prior to the Monthly Pool Date falling in the Monthly Period immediately following the relevant Switch Date), provided that if the Seller (or the Servicer on behalf of the Seller) determines on a Monthly Test Date that a Product Switch made to a Borrower is a Non-Eligible Product Switch, then the relevant Loan and its Related Security must be repurchased by the Seller on any Business Day prior to the Monthly Pool Date immediately following such Monthly Test Date (following receipt by the Seller of a Loan Repurchase Notice), at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase.

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

- (a) agreed with a Borrower to control or manage arrears on such Loan;
- (b) in the maturity date of such Loan unless the maturity date would be extended to a date later than 2 years before the Final Legal Maturity Date of the Rated Notes;
- (c) imposed by statute;
- (d) in the rate of interest payable (including a switch between interest-only payments and repayment); or
- (e) in the frequency with which the interest payable in respect of such Loan is charged,

provided that with respect to limb (d) above:

- a. any variation in the rate of interest payable to another rate of interest permitted under, or otherwise contemplated by, the relevant Mortgage Terms (including to a reversionary rate of the Seller) shall not be considered a Product Switch; and
- b. any variation in the rate of interest payable to another rate of interest not permitted or otherwise contemplated by the relevant Mortgage Terms shall be considered a Product Switch.

Repurchase by the Seller

As set out above and below, the Seller shall repurchase relevant Loans and their Related Security in the following circumstances:

- (a) *Breaches of Loan Warranties.* In the event that there is a breach of any of the Loan Warranties in respect of any Loan and/or its Related Security or if any of those Loan Warranties proves to be untrue as at the Closing Date or on the relevant Sale Date and such breach or untruth might have a material adverse effect on the value of the relevant Loan; provided, that:
- a. the Issuer (or the Servicer on behalf of the Issuer) has given the Seller not less than twenty (20) Business Days' notice in writing (or such shorter period of notice as may be agreed between the Issuer (or the Servicer on behalf of the Issuer) and the Seller); and
 - b. such material breach or untruth, where capable of remedy, is not remedied to the reasonable satisfaction of the Security Trustee within the twenty (20) Business Day period referred to above or such longer period as may be agreed among the Issuer, the Security Trustee and the Seller),

then the Issuer (or the Servicer on behalf of the Issuer) shall serve upon the Seller a notice in the form of the Loan Repurchase Notice requiring the Seller to repurchase the relevant Loan and its Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase.

Without prejudice to the above, if the Servicer determines on a Monthly Test Date that there is a breach of any of the Loan Warranties with respect to any new Loan and its Related Security purchased by the Issuer in the preceding Monthly Period, the Seller may offer to repurchase the relevant new Loan and its Related Security from the Issuer, on any Business Day prior to the Monthly Pool Date immediately following such Monthly Test Date, at a repurchase price equal to the then Current Balance of the relevant new Loan as at the date of such repurchase by delivering a Notice of Offer to Repurchase Loans to the Issuer substantially in the form set out the Mortgage Sale Agreement. The Issuer (or the Servicer on behalf of the Issuer) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the Issuer and the provisions of the Mortgage Sale Agreement shall apply.

- (b) *Breaches of New Portfolio Conditions.* If the Seller sells a New Portfolio to the Issuer on a Sale Date and on the Monthly Test Date following the Monthly Period in which that relevant Sale Date occurred, it is determined that the relevant New Portfolio Conditions were not satisfied on the relevant Sale Date, then the Issuer (or the Servicer on behalf of the Issuer) will serve upon the Seller a notice in the form of the Loan Repurchase Notice requiring the Seller to repurchase (subject to no Seller Insolvency Event having occurred in relation to the Seller) the relevant new Loans and their Related Security which caused the New Portfolio Conditions to not be satisfied on that Sale Date (and any other Loan secured or intended to be secured by that Related Security or any part of it) at a repurchase price equal to the then aggregate Current Balance of the relevant Loans as at the date of such repurchase.
- (c) *Further Advances.* If the Servicer determines on a Monthly Test Date that there is a breach of any of the Loan Warranties with respect to any Further Advance purchased by the Issuer in the preceding Monthly Period, the Seller may offer to repurchase the relevant Loan and its Related Security from the Issuer (such repurchase to be completed on any Business Day prior to the Monthly Pool Date immediately following such Monthly Test Date) at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase by delivering a Notice of Offer to Repurchase Loans to the Issuer substantially in the form set out in the Mortgage Sale Agreement. The Issuer (or the Servicer on behalf of the Issuer) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the Issuer and the provisions of the Mortgage Sale Agreement shall apply. The repurchase price for a Loan and its Related Security subject to a Further Advance and repurchased by the Seller will not include the amount of the relevant Further Advance which will be returned by the Seller.

- (d) *Product Switches.* If the Seller (or the Servicer on behalf of the Seller) determines on a Monthly Test Date that a Product Switch made to a Borrower is a Non-Eligible Product Switch, the Seller must offer to repurchase the relevant Loan and its Related Security from the Issuer (such purchase to be completed on any Business Day prior to the Monthly Pool Date immediately following such Monthly Test Date) at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase. The Issuer (or the Servicer on behalf of the Issuer) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the Issuer.

If the Servicer determines on a Monthly Test Date that there is a breach of any of the Loan Warranties with respect to any Product Switch made in the preceding Monthly Period, the Seller may offer to repurchase the relevant Loan and its Related Security from the Issuer (such repurchase to be completed on any Business Day prior to the Monthly Pool Date immediately following such Monthly Test Date) at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase by delivering a Notice of Offer to Repurchase Loans to the Issuer substantially in the form set out in the Mortgage Sale Agreement. The Issuer (or the Servicer on behalf of the Issuer) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the Issuer and the provisions of the Mortgage Sale Agreement shall apply.

- (e) *Repurchase of New Portfolios.* In the event that any New Portfolio Purchase Price Shortfall Amounts remain to the debit of the New Portfolio Purchase Price Ledger after the application of the Pre-Enforcement Principal Priority of Payments on an Interest Payment Date, the Seller must offer to repurchase the relevant new Loan and its Related Security from the Issuer, on any Business Day prior to the following Monthly Pool Date, at a repurchase price equal to the then Current Balance of the relevant new Loan as at the date of such repurchase by delivering a Notice of Offer to Repurchase Loans to the Issuer substantially in the form set out in the Mortgage Sale Agreement. The Issuer (or the Servicer on behalf of the Issuer) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the Issuer and the provisions of Mortgage Sale Agreement shall apply.
- (f) *Repurchase of Non-Compliant LCR Loans.* The Seller may, but will not be required, to repurchase any Loan (including any Loan subject to a Further Advance or Product Switch) sold to the Issuer pursuant to the Mortgage Sale Agreement which is not of a type described in Article 13 (*Level 2B securitisations*) in the European Commission adopted text of the Commission Delegated Regulation supplementing Regulation (EU) 575/2013 with regard to the liquidity coverage requirement for Credit Institutions of 10 October 2014 (or, if different, the equivalent provisions in the approved version of such Commission Delegated Regulation) (each a **Non-Compliant LCR Loan**). In this case, the Seller may offer to repurchase the relevant Non-Compliant LCR Loan and its Related Security from the Issuer at a repurchase price equal to the then Current Balance of the relevant Non-Compliant LCR Loan as at the date of such repurchase by delivering a Notice of Offer to Repurchase Loans to the Issuer substantially in the form set out in the Mortgage Sale Agreement. The Issuer (or the Servicer on behalf of the Issuer) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the Issuer and the provisions of Mortgage Sale Agreement shall apply.
- (g) *Repurchase of Non-Compliant ECB Loans.* The Seller may, but will not be required, to repurchase any Loan (including any Loan subject to a Further Advance or Product Switch) sold to the Issuer pursuant to the Mortgage Sale Agreement which is not of a type described in the European Central Bank's guidelines on monetary policy instruments and procedures of the Eurosystem (ECB/2011/14) (each a **Non-Compliant ECB Loan**). In this case, the Seller may offer to repurchase the relevant Non-Compliant ECB Loan and its Related Security from the Issuer at a repurchase price equal to the then Current Balance of the relevant Non-Compliant ECB Loan as at the date of such repurchase by delivering a Notice of Offer to Repurchase Loans to the Issuer substantially in the form set out in the Mortgage Sale Agreement. The Issuer (or the Servicer on behalf of the Issuer) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the Issuer and the provisions of Mortgage Sale Agreement shall apply.

- (h) *Repurchase of Non-Compliant Solvency II Loans.* The Seller may, but will not be required, to repurchase any Loan (including any Loan subject to a Further Advance or Product Switch) sold to the Issuer pursuant to the Mortgage Sale Agreement which is not of a type described in Solvency II (each a **Non-Compliant Solvency II Loan**). In this case, the Seller may offer to repurchase the relevant Non-Compliant Solvency II Loan and its Related Security from the Issuer at a repurchase price equal to the then Current Balance of the relevant Non-Compliant Solvency II Loan as at the date of such repurchase by delivering a Notice of Offer to Repurchase Loans to the Issuer substantially in the form set out in the Mortgage Sale Agreement. The Issuer (or the Servicer on behalf of the Issuer) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the Issuer and the provisions of Mortgage Sale Agreement shall apply.
- (i) *Optional Redemption.* On the Optional Redemption Date, provided that no Seller Insolvency Event has occurred, the Seller may by delivering a Notice of Offer to Repurchase Loans to the Issuer substantially in the form set out in the Mortgage Sale Agreement offer to repurchase all of the Loans (but not some only) and their Related Security from the Issuer at a repurchase price equal to the then aggregate Current Balance of the Loans as at the date of such repurchase; *provided, that* the Issuer shall be required to use the proceeds of such a sale of the Loans and their Related Security to redeem all of the Notes in accordance with the applicable Priorities of Payments and the relevant Conditions.

Loan Repurchase Notice means a loan repurchase notice substantially in the form set out in the Mortgage Sale Agreement.

Notice of Offer to Repurchase Loans means a notice of offer to repurchase loans substantially in the form set out in the Mortgage Sale Agreement.

Governing Law

The Mortgage Sale Agreement will be governed by English law (other than certain aspects relating to the Scottish Loans and their Related Security which are governed by Scots law).

Servicing Agreement

Introduction

On the Closing Date, the Servicer will be appointed by each of the Issuer and, in the case of Scottish Loans, for so long as they are subject to a trust created by a Scottish Declaration of Trust (a Scottish Trust), the Seller in its capacity as trustee in respect of each 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 service of a Note Acceleration Notice, the Security Trustee, may from time to time give to it in accordance with the provisions of the Servicing Agreement. The Servicer is required to service the Loans in accordance with the Servicing Agreement and with the Seller's servicing, arrears and enforcement policies and procedures forming part of the Seller's policy from time to time as they apply to those Loans (the **Seller's Policy**).

The Servicer's actions in servicing the Loans and their Related Security in accordance with its procedures are binding on the Issuer. The Servicer may, in some circumstances, delegate or sub-contract some or all of its responsibilities and obligations under the Servicing Agreement. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor.

Powers

Subject to the guidelines for servicing set forth in the preceding section, the Servicer has the power, among other things:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform the Issuer's duties in relation to the Loans and their Related Security; and

- (b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Servicer

The Servicer has undertaken, among other things, to:

- (a) service the Loans and their Related Security as if the same had not been sold to the Issuer (or, in respect of the Scottish Loans, held on trust under the Scottish Trust) but had remained with the Seller in accordance with the Seller's Policy as it applies to those Loans from time to time;
- (b) provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable Prudent Mortgage Lender;
- (c) comply with any proper directions, orders and instructions which the Issuer or the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement;
- (d) 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 and any other applicable legislation;
- (e) save as otherwise agreed with the Issuer, provide upon written request free of charge to the Issuer, office space, facilities, equipment and staff sufficient to enable the Issuer to perform its obligations under the Servicing Agreement;
- (f) not knowingly fail to comply with any legal or regulatory requirements in the performance of the Services which would have a material adverse effect on the ability of the Servicer to perform the Services;
- (g) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions by law;
- (h) not, without the prior written consent of the Security Trustee, amend or terminate any of the Transaction Documents (acting on behalf of the Issuer) save in accordance with their terms;
- (i) provide a monthly report to the Issuer and the Cash Manager;
- (j) as soon as reasonably practicable upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Loan pursuant to the Mortgage Sale Agreement, notify the Issuer in writing of such event;
- (k) deliver to the Issuer and the Security Trustee as soon as reasonably practicable but in any event within seven 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
- (l) carry out all other actions required to be performed by the Servicer pursuant to the terms of the Transaction Documents,

provided, that the Servicer will not commit any act or omission in relation to any Loan or its Related Security or the relevant Borrower that would require the Issuer or the Security Trustee to hold any authorisation or permission under the FSMA.

Product Switches and Further Advances

The Servicer has agreed with the Issuer and the Seller that it will (in its capacity as Servicer) service the Loans and their Related Security in connection with any Further Advances and any Product Switches, including (without limitation) to accept applications from, or make offers to, relevant Borrowers for Further Advances, Product Switches and any variation in the Mortgage Terms which is not deemed to be a Product Switch and perform all associated functions and the Seller's duties in connection with any Further Advance, Product Switch or any variation in the Mortgage Terms which is not deemed to be a Product Switch.

The Servicer, on behalf of and as agent for the Seller, may accept an application for a Further Advance or Product Switch from Borrowers provided that the Servicer acts in accordance with the Seller's Policy and with the then applicable procedure which would be acceptable to a Reasonable Prudent Mortgage Lender and further provided that to do so would not cause the Issuer or the Security Trustee to contravene the FSMA.

The Servicer has agreed that its obligations shall be on the terms and subject to the conditions of the Servicing Agreement and the Mortgage Sale Agreement.

Loan Warranties and New Portfolio Conditions

Without prejudice to any subsequent determination of a breach of Loan Warranty, the Servicer shall test the compliance with the Loan Warranties applicable to Product Switches, Further Advances or new Loans on the Monthly Test Date following the Monthly Period in which the relevant Switch Date, Advance Date or Sale Date, as applicable, occurs. Such testing shall be carried out by the Servicer by reference to the circumstances existing as at that relevant Switch Date, Advance Date or Sale Date, as applicable. The Servicer shall notify the Issuer and the Seller in writing of any breach of such Loan Warranties.

Without prejudice to any subsequent determination of a breach of the New Portfolio Conditions, the Servicer shall test the compliance with the New Portfolio Conditions on the Monthly Test Date following the Monthly Period in which the Sale Date in relation to a New Portfolio occurs. Such testing shall be carried out by the Servicer by reference to the circumstances existing as at that relevant Sale Date. The Servicer, shall notify the Issuer and the Seller in writing of any breach of such New Portfolio Conditions.

If, pursuant to the Mortgage Sale Agreement, the Issuer is required to serve a Loan Repurchase Notice, or is entitled to accept an offer contained in a Notice of Offer to Repurchase Loans, the Servicer shall do so on behalf of the Issuer (although nothing herein shall in any way limit the Issuer's discretion in accepting such offer).

Portfolio Eligibility Triggers

The Servicer shall (i) test item (g) of the definition of Portfolio Eligibility Triggers with respect to an Interest Payment Date and (ii) notify the Issuer, the Seller, the Cash Manager and the Security Trustee in writing of any breach of item (g) or any other item of the definition of Portfolio Eligibility Trigger (other than items (d), (e) and (f) of the definition of Portfolio Eligibility Triggers). Items (d), (e) and (f) of the definition of Portfolio Eligibility Triggers will be tested by the Cash Manager and notified to the Issuer, the Seller, the Cash Manager and the Security Trustee in writing as described under "*Cash Management Agreement*" below.

Setting of Interest Rates on the Loans

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set, in relation to the Loans, the relevant Discretionary Rate and any other discretionary rates or margins applicable in relation to the Loans from time to time, except in the limited circumstances described below when the Issuer will be entitled to do so.

The Servicer will not at any time, without the prior consent of the Issuer set or maintain:

- (a) the Standard Variable Rate, Homeowner Variable Rate, or any other Discretionary Rate applicable to any variable rate Loan sold by the Seller to the Issuer and in the Portfolio at a rate which is higher than (although it may be lower than or equal to) the then prevailing Standard Variable Rate, Homeowner Variable Rate, or any other Discretionary Rate (as applicable); or

- (b) any other variable rate or margin in respect of any other Loan sold by the Seller to the Issuer and in the Portfolio which is higher than (although it may be lower than or equal to) the interest rate or margin of the Seller,

which applies to that type of Loan beneficially owned by the Seller outside the Portfolio,

unless the Servicer is required to do so pursuant to the Servicing Agreement due to an interest rate shortfall or in connection with its lowering of any Discretionary Rate, and, subject to that requirement, it shall not change any Discretionary Rate nor any other variable rate or margin in relation to any Loans sold by the Seller and in the Portfolio save for the same reasons as the Seller was entitled, under the Mortgage Terms, to change the relevant Discretionary Rate or any other variable rate or margin of the Seller prior to the sale to the Issuer of the Loans comprised in the Portfolio and their Related Security. The Issuer shall be bound by the relevant Discretionary Rate and any other variable rate or margin in relation to any Loan set in accordance with the Servicing Agreement.

In particular, the Servicer shall determine on each Calculation Date immediately preceding each Interest Payment Date taking into account the aggregate of:

- (a) the revenue which the Issuer would expect to receive during the next succeeding Interest Period;
- (b) the relevant Discretionary Rate and any other variable rates or margins applicable in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the relevant Interest Period; and
- (c) the other resources available to the Issuer, including the Interest Rate Swap, the Currency Swap and the Liquidity Reserve Fund,

whether the Issuer would receive an amount of revenue during the relevant Interest Period which, when aggregated with the funds otherwise available to it, is less than the amount which is the aggregate amount in respect of interest which would be payable in respect of the Notes on the Interest Payment Date falling at the end of such Interest Period and amounts which rank in priority thereto under the relevant Priorities of Payments (the amount by which it is less being the **Interest Rate Shortfall**).

If the Servicer determines that there is an Interest Rate Shortfall, it will within one (1) Business Day of such determination give written notice to the Issuer, the Seller and the Security Trustee of the Interest Rate Shortfall, the relevant Discretionary Rate and/or any other variable rates or margins applicable which would (taking into account the applicable Mortgage Terms), in the Servicer's reasonable opinion, need to be set in order for no Interest Rate Shortfall to arise, having regard to the date(s) (which shall be specified in the notice) on which such change to the relevant Discretionary Rate and/or any other variable rates or margins would take effect, and at all times acting in accordance with the standards of a Reasonable Prudent Mortgage Lender. For the avoidance of doubt, any action taken by the Servicer to set the relevant Discretionary Rate and/or any other applicable variable rates or margins which are lower than that of the competitors of the Seller will be deemed to be in accordance with the standards of a Reasonable Prudent Mortgage Lender.

If the Issuer notifies (with a copy to the Security Trustee) the Servicer that, having regard to the obligations of the Issuer, the relevant Discretionary Rate and/or any other variable rates or margins should be increased, then the Servicer shall take all steps which are necessary, including publishing any notice which is required in accordance with the Mortgage Terms, to effect such change in the relevant Discretionary Rate and/or any other variable rates or margins on the date(s) specified in the notice referred to above. In these circumstances the Servicer shall have the right to set the relevant Discretionary Rate and/or variable rates or margins of the Seller.

The Servicer is only permitted to determine and/or set any Discretionary Rate and/or any other applicable variable rates or margins in accordance with the Servicing Agreement prior to the perfection of the assignment in accordance with the Mortgage Sale Agreement.

The Issuer (prior to the delivery of a Note Acceleration Notice) with the prior written consent of the Security Trustee and (following delivery of a Note Acceleration Notice), the Security Trustee may terminate the authority of the Servicer under the Servicing Agreement to determine and set any Discretionary Rate and/or any other variable rates or margins on or after the occurrence of a Servicer Termination Event as defined

under “—*Removal or Resignation of the Servicer*” below, in which case the Issuer shall set the relevant Discretionary Rate and/or any other variable rates or, following the delivery of a Note Acceleration Notice, the Security Trustee shall give directions as to the setting of the relevant Discretionary Rate(s) and/or any other variable rates but shall not itself be obliged to set the any Discretionary Rate and/or any other variable rates.

Servicing of Mortgages

The Issuer (including following completion by the Issuer of its title to the Scottish Trust Property subject to each Scottish Trust), or (as applicable) the Seller, in its capacity as trustee under each Scottish Trust for the benefit of the Issuer as beneficiary thereunder, hereby directs the Servicer to service the Loans comprised in the Portfolio and carry out its specific obligations under the Servicing Agreement in accordance with the Seller's Policy.

The Servicer may allocate any payment received in respect of any Loan (including any Further Advances) as Principal Receipts or Revenue Receipts in accordance with the Seller's Policy, and in the event that the Seller's Policy does not include provision for such allocation, the Servicer may exercise such discretion as would a Reasonable Prudent Mortgage Lender in allocating any payment received in respect of any Loan (including any Further Advances) as Principal Receipts or Revenue Receipts, in all cases without prejudice to the Mortgage Terms for that Loan.

Compensation of the Servicer

On each Interest Payment Date, the Issuer will pay the Servicer a servicing fee (inclusive of VAT, if any) for servicing the Loans and their Related Security equal to 0.10 per cent. per annum on the aggregate Current Balance of all Loans in the Portfolio as determined as at the close of business on the last day of the immediately preceding Interest Period (or, with respect to the first Interest Payment Date, the close of business on the calendar day prior to the Closing Date). The 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. See “Fees”.

Removal or Resignation of the Servicer

The Issuer (with prior written consent of the Security Trustee) may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a **Servicer Termination Event**) occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of seven Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;
- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which failure in the reasonable opinion of the Issuer (prior to the delivery of a Note Acceleration Notice) or the Security Trustee (after the delivery of a Note Acceleration Notice) is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 20 Business Days after the earlier of the Servicer becoming aware of the failure and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee requiring the Servicer's non-compliance to be remedied;
- the Servicer fails to obtain or maintain the necessary licences or regulatory approvals enabling it to continue to service the Loans; or
- an insolvency event occurs in relation to the Servicer.

Subject to the fulfilment of certain conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the Issuer (or such shorter time as may be agreed among the Servicer, the Issuer and the Security Trustee) provided that a replacement servicer qualified to act as such under the FSMA and the CCA and with a management team with experience of servicing residential

mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Rated Notes unless the Noteholders of the Rated Notes agree otherwise by Extraordinary Resolution.

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver the title deeds and customer files relating to the Loans in its possession to, or at the direction of, the Issuer. The Servicing Agreement will terminate at such time as the Issuer has no further interest in any of the Loans or their Related Security serviced under the Servicing Agreement and any existing indebtedness of the Issuer has been repaid in full.

Neither the Note Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

Back-Up Facilitator Services upon a Servicer Termination Event

Upon the occurrence of a Servicer Termination Event, the Back-Up Facilitator will act with the Servicer, the Seller and the Issuer to use reasonable endeavours to identify and appoint a replacement servicer who shall agree to act as servicer pursuant to a servicing agreement on similar terms to the Servicing Agreement and who satisfies the conditions set out in the Servicing Agreement.

Liability of the Servicer

The Servicer will indemnify each of the Issuer and the Security Trustee on demand on an after-tax basis (excluding any Taxes imposed on net income or outgoings) for any losses, liabilities, claims, expenses (including any amounts in respect of applicable irrecoverable VAT in relation thereto) or damages suffered or incurred by it in respect of the negligence, fraud or wilful default of the Servicer or any of its sub-contractors or delegates in carrying out its functions as Servicer under, or as a result of a breach by the Servicer of, the terms and provisions of the Servicing Agreement or such other Transaction Documents to which the Servicer is a party (in its capacity as such) in relation to such functions.

Governing Law

The Servicing Agreement will be governed by English law (provided that any terms of the Servicing Agreement that are particular to the law of Scotland shall be construed in accordance with Scottish law) and will be made by way of deed.

Deed of Charge

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

Security

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the **Security**) as trustee for itself and for the benefit of the Secured Creditors (including the Noteholders):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in, to and under the Transaction Documents;
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the English Loans, the English Mortgages and their other Related Security and other related rights comprised in the Portfolio;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies 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 trusts declared by the Seller over such Scottish Loans and their Related Security for the benefit of the Issuer pursuant to the Scottish Declarations of Trust) (the **Initial Scottish Charge**);
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Issuer Account Bank and any other bank accounts (including any Swap Collateral Account) and any sums standing to the credit thereof;
- (f) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer; and
- (g) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues as are situated in Scotland or governed by Scots law (whether or not the subject of fixed charges as aforesaid).

In respect of the property, rights and assets referred to in paragraph (d) above, fixed security will be created over such property, rights and assets sold to the Issuer after the Closing Date by means of Scottish supplemental charges granted pursuant to the Deed of Charge (each a **Scottish Supplemental Charge**).

Authorised Investments means:

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

provided that in all cases such investments will only be made if there is no withholding or deduction for or on account of taxes applicable thereto and either such investments:

- (i) have a maturity date of 60 days or less and mature on or before the Interest Payment Date or within 60 days, whichever is sooner, (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 60 days, whichever is sooner, and (iii) are rated at least "P-1" (short-term) by Moody's (and "A2" (long-term) by Moody's if the investments have a long-term rating) "F1+" by Fitch (and "AA-" by Fitch if the investments have a long-term rating); or
- (ii) have a maturity date of 90 days or less and mature on or before the Interest Payment Date or within 90 days, whichever is sooner, (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 90 days, whichever is sooner, and (iii) are rated at least "P-1" (short-term) by Moody's (and "A2" (long-term) by Moody's if the investments have a long-term rating), "F1+" by Fitch (and "AA-" by Fitch if the investments have a long-term rating).

Transaction Documents means the Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge (and any documents entered into pursuant to the Deed of Charge), the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, each Scottish Declaration of Trust, the Seller Power of Attorney, the Issuer Power of Attorney, the Trust Deed, the Start-Up Loan Agreement, the Interest Rate Swap Agreement, the Currency Swap Agreements and any Swap Collateral Bank Account Agreement 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.

As at the date of this Prospectus, whether a fixed security interest expressed to be created by the Deed of Charge will be upheld as a fixed security interest rather than a floating security will depend, among other things, on whether the Security Trustee has the requisite degree of control under the Transaction Documents over the chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the Security Trustee in practice.

Unlike the fixed charges, the floating charge does not attach to specific assets but instead “floats” over a class of assets which may change from time to time, allowing the Issuer to deal with those assets and to give third parties title to those assets free from any encumbrance in the event of sale, discharge or modification, provided those dealings and transfers of title are in the ordinary course of the Issuer’s business. Any assets acquired by the Issuer after the Closing Date (including assets acquired as a result of the disposition of any other assets of the Issuer) will also be subject to the floating charge unless they are subject to the fixed charges mentioned in this section.

As at the date of this Prospectus, the floating charge created by the Deed of Charge allows the Security Trustee to appoint an administrative receiver of the Issuer and thereby prevent the appointment of an administrator of the Issuer by one of the Issuer’s other creditors. An appointment of an administrative receiver by the Security Trustee under the Deed of Charge will not be prohibited by Section 72A of the Insolvency Act as the appointment will fall within the exception set out under Section 72B of the Insolvency Act (First Exception: Capital Markets). However, see “*Risk Factors—Certain Regulatory Considerations—Change of Law*” relating to the appointment of administrative receivers.

Secured Creditors means the Security Trustee, the Note Trustee, the Noteholders, the Seller, the Servicer, the Cash Manager, the Issuer Account Bank, the Interest Rate Swap Provider, the Currency Swap Provider, each Swap Collateral Account Bank, the Corporate Services Provider, the Principal Paying Agent, the Registrar, the Dematerialised Note Registrar, the Agent Bank, the Start-Up Loan Provider and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

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. Except in relation to the Scottish Loans and their Related Security, crystallisation will occur automatically following the occurrence of specific events set out in the Deed of Charge, including, among other events, upon an Event of Default. In relation to the Scottish Loans and their Related Security, crystallisation will only occur on the appointment of an administrative receiver or on the 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.

On the Closing Date the Issuer granted a security power of attorney in favour of the Security Trustee under the Deed of Charge (the Issuer **Power of Attorney**).

Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Principal Priority of Payments

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10.1 (*Class A Notes*) and the other applicable Conditions, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Issuer Transaction Account as described under “*Cashflows—Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer*” and “*—Application of Available Principal Receipts Prior to the Service of a Note Acceleration Notice on the Issuer*” below. The Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Principal Priority of Payments are set out in the Trust Deed and Cash Management Agreement.

Post-Enforcement Priority of Payments

After the Note Trustee has served a Note Acceleration Notice (which has not been withdrawn) on the Issuer pursuant to Condition 10.1 (*Class A Notes*) and the other applicable Conditions, declaring the Notes to be immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Enforcement Priority of Payments as described under “*Cashflows—Distribution of Available Principal Receipts*” and “*—Available Revenue Receipts following the Service of a Note Acceleration Notice on the Issuer*” below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10.1 (*Class A Notes*) and the other applicable Conditions; provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders and the portion of the Retention Note comprised by

Retention Tranche A owing to the Retention Noteholder (and all persons ranking in priority thereto as set out in the applicable Priority of Payment), or, once all of the Class A Noteholders have been repaid in full and the Retention Tranche A Principal Amount has been repaid in full, to the Class B Noteholders and the Retention Noteholder (up to the Retention Tranche B Principal Amount) (and all persons ranking in priority thereto as set out in the applicable Priority of Payment), once all of the Class B Noteholders have been repaid in full and the Retention Tranche B Principal Amount has been repaid in full, to the Class C Noteholders and the Retention Noteholder (up to the Retention Tranche C Principal Amount) (and all persons ranking in priority thereto as set out in the applicable Priority of Payment) or, once all of the Class C Noteholders have been repaid in full and the Retention Tranche C Principal Amount has been repaid in full, to the Subordinated Noteholder and the Retention Noteholder (up to the Retention Tranche SN Principal Amount) (and all persons ranking in priority thereto as set out in the applicable Priority of Payment) or if the Security Trustee is of the opinion that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders and the portion of the Retention Note comprised by Retention Tranche A owing to the Retention Noteholder (and all persons ranking in priority thereto as set out in the applicable Priority of Payment), or, once all of the Class A Noteholders have been repaid in full and the Retention Tranche A Principal Amount has been repaid in full, to the Class B Noteholders and the Retention Noteholder (up to the Retention Tranche B Principal Amount) (and all persons ranking in priority thereto as set out in the applicable Priority of Payment), once all of the Class B Noteholders have been repaid in full and the Retention Tranche B Principal Amount has been repaid in full, to the Class C Noteholders and the Retention Noteholder (up to the Retention Tranche C Principal Amount) (and all persons ranking in priority thereto as set out in the applicable Priority of Payment) or, once all of the Class C Noteholders have been repaid in full and the Retention Tranche C Principal Amount has been repaid in full, to the Subordinated Noteholder and the Retention Noteholder (up to the Retention Tranche SN Principal Amount) (and all persons ranking in priority thereto as set out in the applicable Priority of Payment), 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.

Governing Law

The Deed of Charge will be governed by English law and any terms of the Deed of Charge which are particular to the law of Scotland shall be construed in accordance with Scottish law. The Initial Scottish Charge and each Scottish Supplemental Charge granted pursuant and supplemental to the Deed of Charge will be governed by Scots law.

Trust Deed

On or about the Closing Date, the Issuer, the Security Trustee, the Note Trustee and the Subordinated Noteholder will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes are subject to the provisions set forth in the Trust Deed. The Conditions and the forms of the Notes will be 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 on trust for the Noteholders.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Note Trustee together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under or in connection with the Trust Deed and the other Transaction Documents.

Retirement of Note Trustee

The Note Trustee may retire at any time on giving not less than sixty (60) days' prior written notice to the Issuer without giving any reason and without being responsible for any Liabilities incurred by reason of such retirement. The Noteholders may, by written approval of the Controlling Class (i) remove all trustees (but not some only), or (ii) direct the Note Trustee to remove all trustees (but not some only) for the time being under the Deed of Charge. The Issuer undertakes that, in the event of the only trustee of the Trust Deed which is a

Trust Corporation giving notice of retirement, it will use reasonable endeavours to procure that a new trustee of the Trust Deed being a Trust Corporation is appointed as soon as reasonably practicable thereafter. The retirement or removal of any such trustee shall not become effective until a successor trustee being a Trust Corporation is appointed. If, in such circumstances, no appointment of such a new trustee has become effective on the expiry of such notice or within sixty (60) days of such notice of resignation or written approval of the Controlling Class, the Note Trustee shall be entitled to appoint a Trust Corporation as trustee of the Trust Deed, but no such appointment shall take effect unless previously approved by written approval of the Controlling Class as aforesaid.

Governing Law

The Trust Deed will be governed by English law.

Agency Agreement

On or about the Closing Date, the Issuer, the Note Trustee, the Principal Paying Agent, the Agent Bank, the Registrar, the Dematerialised Note Registrar, the Cash Manager and the Security Trustee will enter into the Agency Agreement pursuant to which provision will be made for, among other things, payment of principal and interest in respect of the Notes.

Governing Law

The Agency Agreement will be governed by English law.

Cash Management Agreement

On or about the Closing Date, the Cash Manager, the Issuer, the Back-Up Facilitator and the Security Trustee will enter into the Cash Management Agreement.

Cash Management Services Provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting

payments to and from the Issuer Transaction Account and the Swap Collateral Amount(s). In addition, the Cash Manager will:

- (a) maintain the following ledgers (the **Ledgers**) on behalf of the Issuer:
 - a. the **Principal Ledger**, which records (i) as a credit, all Principal Receipts received by the Issuer, (ii) as a credit, any amount of Subordinated Note Drawing and the corresponding Retention Note Drawing received by the Issuer to meet any Class A1a Shortfall Amounts, Retention Tranche A1a Shortfall Amounts, Class A1b Shortfall Amounts, Retention Tranche A1b Shortfall Amounts, Class A2 Shortfall Amounts or Retention Tranche A2 Shortfall Amounts, (iii) as a credit, all Class A3 Reserve Amounts to be applied as Available Principal Receipts in accordance with limb (a) of the definition of Available Principal Receipts, (iv) as a credit, any amount reserved during an Interest Period from any Class A3 Reserve Amount or Principal Receipts, for the Issuer to repay the Class A1a Notes, the portion of the Retention Note comprised by Retention Tranche A1a, the Class A1b Notes, the portion of the Retention Note comprised by Retention Tranche A1b, the Class A2 Notes or the portion of the Retention Note comprised by Retention Tranche A2 on the following Interest Payment Date down to the applicable Class A1a Target Amortisation Amount, the applicable Retention Tranche A1a Target Amortisation Amount, Class A1b Target Amortisation Amount, the applicable Retention Tranche A1b Target Amortisation Amount, the applicable Class A2 Target Amortisation Amount, or the applicable Retention Tranche A2 Target Amortisation Amount, as applicable, for that Interest Payment Date pursuant to item (a)(v)(A), (a)(v)(B), (a)(v)(C), (a)(v)(D), (a)(v)(E) or (a)(v)(F), as applicable, of the Pre-Enforcement Principal Priority of Payments, (v) as a debit, the distribution of the Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments or the Post-Enforcement Priority of Payments (as applicable), and (vi) as a debit, each amount applied for the purchase of Further Advances and New Portfolios in accordance with the Mortgage Sale Agreement;

- b. the **Class A3 Reserve Ledger**, which shall record (i) as a credit, the Class A3 Reserve Amount for each Interest Payment Date (if any); (ii) as a debit, each amount applied by the Cash Manager (on behalf of the Issuer) in the Interest Period following the Interest Payment Date referred to in limb (i) above to fund (A) Further Advance Purchase Price amounts, (B) the requisite reserve amount for the Issuer to repay the Class A1a Notes, the portion of the Retention Note comprised by Retention Tranche A1a, the Class A1b Notes, the portion of the Retention Note comprised by Retention Tranche A1b, the Class A2 Notes or the portion of the Retention Note comprised by Retention Tranche A2 on the following Interest Payment Date down to the applicable Class A1a Target Amortisation Amount, the applicable Retention Tranche A1a Target Amortisation Amount, Class A1b Target Amortisation Amount, the applicable Retention Tranche A1b Target Amortisation Amount, the applicable Class A2 Target Amortisation Amount, or the applicable Retention Tranche A2 Target Amortisation Amount, as applicable, for that Interest Payment Date pursuant to item (a)(v)(A), (a)(v)(B), (a)(v)(C), (a)(v)(D), (a)(v)(E) or (a)(v)(F), as applicable, of the Pre-Enforcement Principal Priority of Payments, and (C) New Portfolio Purchase Price amounts, payable by the Issuer, on a first in first out basis, during that Interest Period; and (iii) as a debit, the distribution of all remaining Class A3 Reserve Amounts applied in accordance with limb (a) of the definition of Available Principal Receipts;
- c. the **Revenue Ledger**, which records (i) as a credit, all Revenue Receipts received by the Issuer, (ii) as a credit, any Advance made under Tranche C of the Start-Up Loan and the corresponding Retention Note Drawing to be applied as Available Revenue Receipts on an Interest Payment Date, and (iii) as a debit, the payment of the distribution of the same as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);
- d. the **Issuer Profit Ledger** which shall record as a credit the Issuer Profit Amount retained by the Issuer as profit in accordance with item (e) of the Pre-Enforcement Revenue Priority of Payments or item (m) of the Post-Enforcement Priority of Payments including amounts paid by the Issuer as dividends and/or corporation tax;
- e. the **Liquidity Reserve Fund Ledger** which records (i) as a credit, the amount equal to the Initial Liquidity Reserve Fund Required Amount credited to the Liquidity Reserve Fund from the Advance made under Tranche B of the Start-Up Loan and the corresponding Retention Note Drawing on the Closing Date, (ii) as a credit, the amount credited to the Liquidity Reserve Fund from an Advance made under Tranche C of the Start-Up Loan and the corresponding Retention Note Drawing on any Business Day following the Closing Date, (iii) as a credit, all amounts received pursuant to item (k) of the Pre-Enforcement Revenue Priority of Payments on an Interest Payment Date, (iv) as a debit, all amounts of Liquidity Reserve Fund Drawings applied in accordance with the Liquidity Reserve Fund Revenue Priority of Payments on each Interest Payment Date and (v) as a debit, all Liquidity Reserve Fund Excess Amounts released as Available Revenue Receipts;
- f. the **Further Advance Purchase Price Ledger** which records (i) as a debit, each Further Advance Purchase Price Shortfall Amount arising on a Monthly Pool Date, (ii) as a credit, all amounts of Principal Receipts applied to pay the relevant Further Advance Purchase Price on any Monthly Pool Date, (iii) as a credit, all amounts of Available Principal Receipts applied to pay the relevant Further Advance Purchase Price on any Interest Payment Date in accordance with item (a)(iv) of the Pre-Enforcement Principal Priority of Payments; and (iv) as a credit, any amount of Subordinated Note Drawing and the corresponding Retention Note Drawing received by the Issuer to meet Further Advance Purchase Price Shortfall Amounts;
- g. the **Subordinated Note Ledger** which shall record (i) as a debit, all amounts received by the Issuer under any Subordinated Note Drawing and (ii) as a credit, all amounts repaid in accordance with the relevant Priority of Payments;
- h. the **Retention Note Ledger** which shall record (i) as a debit, all amounts received by the Issuer under any Retention Note Drawing and (ii) as a credit, all amounts repaid in accordance with the relevant Priority of Payments;

- i. the **Start-Up Loan Ledger** which shall record as a credit all amounts received by the Issuer as Advances under the Start-Up Loan Agreement and as a debit all amounts repaid under the Start-Up Loan Agreement;
- j. the **Principal Deficiency Ledger** (comprising of five sub-ledgers) which records on the Class A Principal Deficiency Ledger (the **Class A Principal Deficiency Ledger**), the Class B Principal Deficiency Ledger (the **Class B Principal Deficiency Ledger**), the Class C Principal Deficiency Ledger (the **Class C Principal Deficiency Ledger**), the Subordinated Note Principal Deficiency Ledger (the **Subordinated Note Principal Deficiency Ledger**) and the Retention Note Principal Deficiency Ledger (the **Retention Note Principal Deficiency Ledger**) (which shall be comprised of four sub-ledgers as described in the section titled “*Credit Structure—Principal Deficiency Ledger*”) (as the case may be) (i) as a debit, deficiencies arising from Losses on the Portfolio and Principal Receipts used to pay a Revenue Deficiency and (ii) as a credit, Available Revenue Receipts applied pursuant to items (i), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments (if any) (which amounts shall thereupon be applied as Available Principal Receipts) (see “*Credit Structure—Principal Deficiency Ledger*”); and
- k. the **New Portfolio Purchase Price Ledger** which shall record (i) as a debit, each New Portfolio Purchase Price Shortfall Amount arising on a Sale Date, (ii) as a credit, all amounts of Available Principal Receipts applied to pay the relevant New Portfolio Purchase Price on any Interest Payment Date in accordance with item (a)(vi) of the Pre-Enforcement Principal Priority of Payments; and (iii) as a credit, any amount of Subordinated Note Drawing and the corresponding Retention Note Drawing received by the Issuer to meet New Portfolio Purchase Price Shortfall Amounts;

and all the foregoing Ledgers shall together reflect the aggregate of all amounts of cash standing to the credit of the Issuer Transaction Account and all amounts invested in Authorised Investments purchased from amounts standing to the credit of the Issuer Transaction Account from time to time.

- (b) calculate on each Calculation Date the amount of Available Revenue Receipts, Available Principal Receipts to be applied on the relevant Interest Payment Date, and any Class A1a Shortfall Amounts, any Retention Tranche A1a Shortfall Amounts, Class A1b Shortfall Amounts, any Retention Tranche A1b Shortfall Amounts, any Class A2 Shortfall Amounts, any Retention Tranche A2 Shortfall Amounts and the Class A3 Reserve Amount for that Interest Payment Date;
- (c) apply, or cause to be applied Available Revenue Receipts, in accordance with the Pre-Enforcement Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments;
- (d) if required by the Security Trustee, apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the Post-Enforcement Priority of Payments;
- (e) record credits to and debits from the Liquidity Reserve Fund Ledger, the Principal Ledger and the Class A3 Reserve Ledger, as and when required;
- (f) make payments of the consideration for new Loans and Further Advances to the Seller, as applicable;
- (g) prepare and deliver any Subordinated Note Drawing and corresponding Retention Note Drawing requests as required, and apply the proceeds of any Subordinated Note Drawing and corresponding Retention Note Drawing;
- (h) withdraw any Third Party Amounts (to the extent identified by the Servicer pursuant to the Servicing Agreement) on a daily basis from the Issuer Transaction Account (provided that there are sufficient funds standing to the credit of the Issuer Transaction Account to meet such payment) to make payment of such Third Party Amounts to the Servicer;
- (i) withdraw any Seller Amounts (to the extent identified by the Servicer pursuant to the Servicing Agreement) on a daily basis from the Issuer Transaction Account (provided that there are sufficient funds standing to the credit of the Issuer Transaction Account to meet such payment) to make payment of such Seller Amounts to the Servicer;

- (j) provide:
 - a. the Issuer, the Seller, the Security Trustee and the Rating Agencies with a Monthly Investor Report in respect of the Issuer by no later than the 20th day of each calendar month and a Quarterly Report within one month of each Interest Payment Date; and
 - b. the Issuer, the Seller and the Security Trustee with a Cash Flow Model from the Closing Date until the date the last Note is redeemed in full;
- (k) test the Portfolio Eligibility Triggers (other than items (a), (b), (c) and (g) of the definition of Portfolio Eligibility Trigger) on each Interest Payment Date taking into account the application of the Priorities of Payments on that Interest Payment Date, and promptly notifying the Issuer, the Seller, the Servicer and the Security Trustee in the event that any Portfolio Eligibility Trigger (other than items (a), (b), (c) and (g) of the definition of Portfolio Eligibility Trigger) has been breached;
- (l) make all calculations required to be made by the Cash Manager in respect of the Notes pursuant to the Conditions;
- (m) subject to obtaining any authorisations or licences as may be required, invest monies standing from time to time to the credit of the Bank Accounts in Authorised Investments as determined by the Issuer or the Cash Manager subject to the following provisions:
 - a. any such Authorised Investment shall be made in the name of the Issuer;
 - b. any costs properly and reasonably incurred in making and changing 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 relevant Bank Accounts;
- (n) make any determinations required to be made by the Issuer and provide any information required to be provided by the Issuer, in each case under the Swap Agreements, including, without limitation, in relation to a transfer of any rights and obligations of a party to a Swap Agreement to a replacement swap provider; and
- (o) (i) open Sterling cash Swap Collateral Account, a Euro cash Swap Collateral Account and a USD cash Swap Collateral Account on or about the Closing Date, (ii) open any other Swap Collateral Accounts as may be required under the Swap Agreements, and (iii) operate any Swap Collateral Account(s) and ensure that payments are made into and from such account(s) in accordance with the Cash Management Agreement, the relevant Swap Collateral Bank Account Agreement, the Deed of Charge and the relevant Swap Agreement.

Seller Amounts means:

- (a) all amounts of principal, interest or any other amount due and payable under any Loan in respect of the period prior to the relevant Sale Date for that Loan; and
- (b) in the event that there is no debit balance on the Principal Deficiency Ledger, all post-default recoveries or other amounts received by the Issuer on any Loss following the enforcement of the relevant Mortgage Loan and Related Security to which such Loss relates.

Third Party Amounts means amounts applied from time to time in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):

- (a) any fees received as a consequence of the early repayment of a Loan, and certain other fees charged by the Servicer in respect of its servicing of the Loans;
- (b) payments of certain insurance premiums;
- (c) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from the related Borrower's account; and

- (d) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller.

The Cash Manager also covenants with and undertakes to the Issuer that it will (on behalf of the Issuer) or will assist the Issuer to:

- (a) perform any Portfolio Reconciliation Risk Mitigation Techniques (as such term is defined in the PDD Protocol (as defined in the Swap Agreements)) as may be required in accordance with the requirements of EMIR;
- (b) carry out the reporting requirements set out in article 9 of EMIR in relation to the Swap Agreements and any other swap entered into by the Issuer and any ancillary activities to such reporting requirements (in relation to which, the Issuer permits the Cash Manager to delegate all or any part of such reporting requirements to the relevant Swap Provider or the counterparty to such other swap transaction);
- (c) perform any Dispute Resolution Risk Mitigation Techniques (as such term is defined in the PDD Protocol (as defined in the Swap Agreements)) as may be required in accordance with the requirements of article 11(1) of EMIR and the terms of the Swap Agreements and any other relevant swap transaction;
- (d) monitor on an ongoing basis, and inform the Swap Providers should such status change, the status of the Issuer as a financial counterparty, a non-financial counterparty below the clearing threshold or a non-financial counterparty exceeding the clearing threshold, in each case as defined under EMIR and with the thresholds as specified under article 10(3) of EMIR; and
- (e) fulfil any other requirements which may arise on the Issuer from time to time in relation to EMIR

(such matters being the **EMIR Services**);

EMIR or the **European Market Infrastructure Regulation** means Regulation (EU) No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards, implementing technical standards and advice, guidance or recommendations from relevant supervisory regulators);

Compensation of Cash Manager

On each Interest Payment Date, the Issuer will pay the Cash Manager a fee (inclusive of VAT, if any) for its cash management services under the Cash Management Agreement equal to 0.02 per cent. per annum, on the aggregate Current Balance of all Loans in the Portfolio as determined as at the close of business on the last day of the immediately preceding Interest Period (or, with respect to the first Interest Payment Date, the close of business on the calendar day prior to the Closing Date). The fee is payable quarterly in arrears 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. See “Fees”.

Termination of Appointment of Cash Manager

In certain circumstances the Issuer and the Security Trustee will each have the right to terminate the appointment of the Cash Manager by notice in writing and to appoint a substitute (the identity of which will be subject to the Security Trustee’s written approval). Any replacement cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the replacement cash manager may be higher).

Back-Up Facilitator Services upon a Cash Manager Termination Event

Upon the occurrence of a Cash Manager Termination Event, the Back-Up Facilitator will act with the Issuer and the Cash Manager to use reasonable endeavours to identify and appoint a replacement cash manager who shall agree to act as replacement cash manager and who satisfies the criteria set out in the Cash Management Agreement.

Liability of the Cash Manager

The Cash Manager will indemnify each of the Issuer and the Security Trustee on an after-Tax basis (excluding any Taxes imposed on net income or outgoings) for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the fraud, wilful default or negligence of the Cash Manager in carrying out its functions as Cash Manager under, or as a result of a breach by the Cash Manager of, the terms and provisions of the Cash Management Agreement or such other Transaction Documents to which the Cash Manager is a party (in its capacity as such) in relation to such functions.

Governing Law

The Cash Management Agreement will be governed by English law.

Bank Account Agreement

Pursuant to the terms of the Bank Account Agreement to be entered into on or about the Closing Date among the Issuer, the Issuer Account Bank, the Cash Manager, the Seller and the Security Trustee, the Issuer will maintain with the Issuer Account Bank, an Issuer Transaction Account, which will be operated in accordance with the Cash Management Agreement and the Deed of Charge.

All amounts received from Borrowers in respect of the Loans will be paid into the Seller's collections account and then transferred to the Issuer Transaction Account and credited to the Revenue Ledger or the Principal Ledger, as the case may be, and as set out in the Cash Management Agreement. On each Interest Payment Date (or, with respect to the purchase of New Portfolios and Further Advances, on the relevant Sale Date or Advance Date), amounts in the Issuer Transaction Account will be applied by the Cash Manager pursuant to the Cash Management Agreement and in accordance with the Priorities of Payments described below under "*Cashflows*".

If the Issuer Account Bank fails to maintain any of the Issuer Account Bank Required Ratings, the Issuer (or the Cash Manager on the Issuer's behalf) will be required (within 30 days) to arrange for the transfer (at its own cost) of the Bank Accounts to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Bank Account Agreement in order to maintain the ratings of the Rated Notes at their then current ratings.

The **Issuer Account Bank Required Ratings** means (a) a long-term, unsecured, unguaranteed and unsubordinated debt obligation rating of at least "A1" by Moody's and "A" by Fitch, (b) a short-term, unsecured, unguaranteed and unsubordinated debt obligation rating of at least "P-1" by Moody's and "F1" by Fitch, or (c) such other lower rating which the Cash Manager certifies in writing to the Note Trustee and the Security Trustee (i) is consistent with the then current rating methodology of such relevant Rating Agency, or (ii) with respect to which it has received a Ratings Confirmation.

The Bank Account Agreement may be terminated in other circumstances by the Cash Manager or the Issuer (in each case with the consent of the Security Trustee) including the occurrence of an insolvency event in respect of the Issuer Account Bank or default by the Issuer Account Bank in the performance of its obligations under the Bank Account Agreement which continues unremedied for a period of 20 Business Days after receiving notice or becoming aware of such default see "*Triggers Tables—Rating Triggers Table—Issuer Account Bank*" above.

Any termination of the Issuer Account Bank will not be effective until, among other things, a replacement financial institution (with the requisite ratings outlined above) has entered into an agreement substantially similar to the Bank Account Agreement and provided that the termination would not adversely affect the then current ratings of the Rated Notes.

The Bank Account Agreement will be governed by English law.

Swap Collateral Bank Account Agreement

Pursuant to the terms of the Swap Collateral Bank Account Agreement entered into on the Closing Date between the Issuer, Citibank London Branch (in its capacity as a Swap Collateral Account Bank), the Security Trustee and the Cash Manager, the Issuer will open one or more Swap Collateral Accounts with the Swap Collateral Account Bank including the Sterling cash Swap Collateral Account, the Euro cash Swap Collateral Account and the USD cash Swap Collateral Account opened on or prior to the Closing Date.

The Issuer will deposit any Swap Collateral which is required to be paid to the Issuer by a Swap Provider in accordance with the terms of the relevant Swap Agreement in the relevant Swap Collateral Account.

The Swap Collateral Bank Account Agreement is governed by English Law.

The Issuer may enter into further Swap Collateral Account Bank Agreements with other Swap Collateral Account Banks to open any other Swap Collateral Accounts required under the Swap Agreements.

The Corporate Services Agreement

On or about the Closing Date, the Issuer, Holdings, the Share Trustee, the Seller, the Security Trustee, the Note Trustee and the Corporate Services Provider will enter into the Corporate Services Agreement pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general company secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), the providing of the directors with information in connection with the Issuer and Holdings and the arrangement for the convening of shareholders' and directors' meetings.

Governing Law

The Corporate Services Agreement will be governed by English law.

Other Agreements

For a description of the Interest Rate Swap Agreement and the Currency Swap Agreements, see "*Credit Structure*" below.

On the Closing Date, the Issuer, the Security Trustee and the Note Trustee, among others signed for the purposes of identification the **Master Definitions and Construction Schedule**.

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 Seller, the Swap Providers, the Arranger, any Joint Lead Manager, the Servicer, the Cash Manager, the Back-Up Facilitator, the Issuer Account Bank, the Swap Collateral Account Bank(s), the Note Trustee or the Security Trustee or by any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Swap Providers, the Arranger, any Joint Lead Manager, the Servicer, the Cash Manager, the Back-Up Facilitator, the Issuer Account Bank, the Swap Collateral Account Bank(s), the Note Trustee or the Security Trustee or by any other person other than the Issuer.

However, there are a number of features of the transaction which enhance the likelihood of timely receipt of payments to Noteholders, as follows:

- (a) payments on the Subordinated Note and the portion of the Retention Note comprised by Retention Tranche SN will be subordinated to payments on the Class A Notes, the Class B Notes, the Class C Notes and the portions of the Retention Note comprised by the Retention Note Amortising Tranches;
- (b) a Liquidity Reserve Fund has been established to help meet shortfalls in Available Revenue Receipts available for (i) the payment of interest on the Class A Notes and the portions of the Retention Note comprised by Retention Tranche A and certain fees paid prior thereto under the applicable Priority of Payment, and (ii) the payment of interest on the Class B Notes and the portions of the Retention Note comprised by Retention Tranche B (in each case, subject to certain Cumulative Default Triggers);
- (c) the application, in certain circumstances, of Principal Receipts to provide for certain Revenue Deficiency in the Available Revenue Receipts;
- (d) amounts drawn under the Subordinated Note and portion of the Retention Note comprised by Retention Tranche SN will be provided to the Issuer to supplement Available Revenue Receipts and credited to the Revenue Ledger;
- (e) available Revenue Receipts are expected to exceed interest and fees payable by the Issuer under the Notes;
- (f) availability of an interest rate swap provided by the Interest Rate Swap Provider to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and Three-Month Sterling LIBOR; and
- (g) availability of a currency swap provided by the Currency Swap Provider to hedge against: (i) the currency mismatch and possible variance between the Sterling Interest Receipts received under the Discretionary Rate Loans, the Tracker Rate Loans and the Discounted Variable Rate Loans, the Sterling amounts received under the Interest Rate Swap, and the Euro interest amounts due in respect of the Class A1a Notes; and (ii) the currency mismatch between the Sterling Principal Receipts received in respect of the Portfolio and the Euro principal amounts due on the Class A1a Notes.

Each of these factors is considered more fully in the remainder of this section.

Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (q) (inclusive) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans and the performance of the Portfolio. See "*Interest Rate Risk for the Sterling Notes*" below.

On each Interest Payment Date, Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Enforcement Revenue Priority of Payments) towards reducing any Principal Deficiency Ledger entries in accordance with items (i), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments which may arise from Losses on the Portfolio.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met under items (a) to (j) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish and increase the Liquidity Reserve Fund up to and including an amount equal to the Liquidity Reserve Fund Required Amount. The Issuer may utilise further drawings pursuant to Tranche C under the Start-Up Loan and any corresponding Retention Note Drawings to replenish the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount.

Liquidity Reserve Fund

On the Closing Date, the Issuer will establish a fund called the **Liquidity Reserve Fund**. The Liquidity Reserve Fund will be funded on the Closing Date in an amount equal to the Initial Liquidity Reserve Fund Required Amount from the proceeds of the Advance pursuant to Tranche B under the Start-Up Loan and the corresponding Retention Note Drawing. On each Interest Payment Date prior to the service of a Note Acceleration Notice, to the extent required and subject to a certain Cumulative Default Trigger, monies standing to the credit of the Liquidity Reserve Fund equal to any required Liquidity Reserve Fund Drawing Amount will be applied in accordance with the Liquidity Reserve Fund Revenue Priority of Payments to meet certain Revenue Deficiencies. On each Interest Payment Date, the Liquidity Reserve Fund is replenished up to the Liquidity Reserve Fund Required Amount from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and (if required) further drawings pursuant to Tranche C under the Start-Up Loan and the corresponding Retention Note Drawing. The Liquidity Reserve Fund will be deposited in the Issuer Transaction Account (with a corresponding credit to the Liquidity Reserve Fund Ledger). The Issuer may invest the amounts standing to the credit of the Liquidity Reserve Fund Ledger in Authorised Investments.

The **Initial Liquidity Reserve Fund Required Amount** will be an amount equal to £58,591,500 (being an amount equal to 1.9 per cent. of the Sterling equivalent of the Principal Amount Outstanding of the Class A Notes, the Class B Notes and the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B as at the Closing Date).

The **Liquidity Reserve Fund Required Amount** means the lesser of (i) £58,591,500 or (ii) 3.8 per cent. of the Sterling equivalent of the Principal Amount Outstanding of the Class A Notes, the Class B Notes and the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B or (following the full and final redemption and cancellation of the Class A Notes and the Class B Notes and the payment in full of the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B) zero.

The Cash Manager will maintain the Liquidity Reserve Fund Ledger pursuant to the Cash Management Agreement and will record thereon the balance from time to time of the Liquidity Reserve Fund.

On any Interest Payment Date on which the Class A Notes, the Class B Notes and the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B are fully repaid or provided for, the Issuer will not be required to maintain the Liquidity Reserve Fund and any amounts held in the Liquidity Reserve Fund will form part of Available Revenue Receipts and will be applied in accordance with the Pre-Enforcement Revenue Priority of Payments.

Principal Ledger

The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement called the Principal Ledger (the **Principal Ledger**). The Principal Ledger may be funded from the first Business Day following the Closing Date and on each subsequent Business Day with Available Principal Receipts which are credited to the Principal Ledger (including any amount released from the Class A3 Reserve Ledger during an Interest Period, for the Issuer to repay the Class A1a Notes, the portion of the Retention Note comprised by Retention Tranche A1a, the Class A1b Notes, the portion of the Retention Note comprised by Retention Tranche A1b, the Class A2 Notes or the portion of the Retention Note comprised by Retention Tranche A2 on the following Interest Payment Date down to the applicable Class A1a Target Amortisation Amount, the applicable Retention Tranche A1a Target Amortisation Amount, applicable Class A1b Target Amortisation

Amount, the applicable Retention Tranche A1b Target Amortisation Amount, the applicable Class A2 Target Amortisation Amount or the applicable Retention Tranche A2 Target Amortisation Amount, as applicable, for that Interest Payment Date pursuant to item (a)(v)(A), (a)(v)(B), (a)(v)(C), (a)(v)(D), (a)(v)(E) or (a)(v)(F), as applicable, of the Pre-Enforcement Principal Priority of Payments). The Issuer may invest the amounts standing to the credit of the Principal Ledger in Authorised Investments.

On each Interest Payment Date, amounts standing to the credit of the Principal Ledger will be applied by the Issuer (or the Cash Manager on its behalf) on such Interest Payment Date as Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments.

Class A3 Reserve Ledger

The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement called the Class A3 Reserve Ledger (the **Class A3 Reserve Ledger**). The Class A3 Reserve Ledger will be funded on each Interest Payment Date with the Class A3 Reserve Amount calculated to apply on that Interest Payment Date (if any), and credited to the Class A3 Reserve Ledger in accordance with the Cash Management Agreement. The Cash Manager will then apply such Class A3 Reserve Amount during the following Interest Period to fund (on behalf of the Issuer): (i) Further Advance Purchase Price amounts, (ii) the requisite reserve amount for the Issuer to repay the Class A1a Notes, the portion of the Retention Note comprised by Retention Tranche A1a, the Class A1b Notes, the portion of the Retention Note comprised by Retention Tranche A1b, the Class A2 Notes or the portion of the Retention Note comprised by Retention Tranche A2 on the following Interest Payment Date down to the applicable Class A1a Target Amortisation Amount, the applicable Retention Tranche A1a Target Amortisation Amount, applicable Class A1b Target Amortisation Amount, the applicable Retention Tranche A1b Target Amortisation Amount, the applicable Class A2 Target Amortisation Amount or the applicable Retention Tranche A2 Target Amortisation Amount, as applicable, for that Interest Payment Date pursuant to item (a)(v)(A), (a)(v)(B), (a)(v)(C), (a)(v)(D), (a)(v)(E) or (a)(v)(F), as applicable, of the Pre-Enforcement Principal Priority of Payments (such amount to be reserved on the Principal Ledger to be applied as Available Principal Receipts), and (iii) New Portfolio Purchase Price amounts, payable by the Issuer, on a first in first out basis, during that Interest Period. On each Interest Payment Date, all remaining amounts of the relevant Class A3 Reserve Amount, reserved from the preceding Interest Payment Date will be debited from the Class A3 Reserve Ledger and be applied by the Issuer (or the Cash Manager on its behalf) as Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments.

Principal Deficiency Ledger

A Principal Deficiency Ledger (comprised of five sub-ledgers) will be established on the Closing Date to record all deficiencies arising from Losses on the Portfolio. The Principal Deficiency Ledger shall record on the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger, the Class C Principal Deficiency Ledger, the Subordinated Note Principal Deficiency Ledger and the Retention Note Principal Deficiency Ledger (as the case may be) (i) as a debit, deficiencies arising from Losses on the Portfolio and Principal Receipts used to pay a Revenue Deficiency and (ii) as a credit Available Revenue Receipts applied pursuant to items (i), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments (if any) (which amounts shall thereupon be applied as Available Principal Receipts).

The Retention Note Principal Deficiency Ledger will be further comprised of four sub-ledgers. The Retention Note Principal Deficiency Ledger shall record on the Retention Tranche A Principal Deficiency Sub-Ledger, the Retention Tranche B Principal Deficiency Sub-Ledger, the Retention Tranche C Principal Deficiency Sub-Ledger and the Retention Tranche SN Principal Deficiency Sub-Ledger (as the case may be) (i) as a debit, deficiencies arising from Losses on the Portfolio and Principal Receipts used to pay a Revenue Deficiency and (ii) as a credit Available Revenue Receipts applied pursuant to items (i), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments (if any) (which amounts shall thereupon be applied as Available Principal Receipts).

Losses means all realised losses on the Loans including any loss to the Issuer as a result of the exercise of any set-off by any Borrower.

Realised losses will be calculated after applying any recoveries following enforcement of a Loan (but on or prior to the completion of enforcement proceedings in respect of such Loan) to outstanding fees and interest amounts due and payable on the relevant Loan.

Available Funds

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Principal Priority of Payments, as applicable. It is not intended that any surplus will be accumulated in the Issuer, which for the avoidance of doubt does not include the £5,000 (the **Issuer Profit Amount**) which the Issuer expects to generate annually as its profit in respect of the business of the Issuer, or amounts standing to the credit of the Liquidity Reserve Fund.

If, on any Interest Payment Date whilst there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest otherwise due on the Subordinated Note then the Issuer will be entitled under Condition 16 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. Such deferral will not constitute an Event of Default. If there are no Rated Notes then outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Subordinated Note.

Subject to the provisions on deferral of interest in the Conditions, failure to pay interest on the Rated Notes within any applicable grace period in accordance with the relevant Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

Subordinated Note

The following section contains a summary of the material terms of the Subordinated Note. The summary does not purport to be complete and is subject to the provisions of the Trust Deed.

On the Closing Date, the Subordinated Noteholder subscribed for the Subordinated Note in an initial Principal Amount Outstanding equal to £207,000,000.

Following the Closing Date, the Subordinated Noteholder may in its sole discretion advance additional amounts to the Issuer if requested by the Issuer:

- (a) during the Revolving Period, (i) to meet insufficient funds to pay in full the aggregate Further Advance Purchase Price due on any Monthly Pool Date or (ii) to eliminate amounts remaining to the debit of the Further Advance Purchase Price Ledger following the application of the Pre-Enforcement Principal Priority of Payment on an Interest Payment Date (in each case, a **Further Advance Purchase Price Shortfall Amount**);
- (b) during the Revolving Period, (i) to meet insufficient funds to pay in full the aggregate New Portfolio Purchase Price due on any Monthly Pool Date or (ii) to eliminate amounts remaining to the debit of the New Portfolio Purchase Price Ledger following the application of the Pre-Enforcement Principal Priority of Payment on an Interest Payment Date (in each case, a **New Portfolio Purchase Price Shortfall Amount**); or
- (c) to meet any applicable Class A1a Shortfall Amount, Retention Tranche A1a Shortfall Amount, Class A1b Shortfall Amount, Retention Tranche A1b Shortfall Amount, Class A2 Shortfall Amount or Retention Tranche A2 Shortfall Amount for such amount to be applied as Available Principal Receipts on the immediately following Interest Payment Date.

The proceeds of any Subordinated Note Drawing and the corresponding Retention Note Drawing will be credited to the Subordinated Note Ledger in the first instance.

Retention Note

The following section contains a summary of the material terms of the Retention Note. The summary does not purport to be complete and is subject to the provisions of the Trust Deed.

General description

The Issuer will issue the Retention Note on the Closing Date with an initial Principal Amount Outstanding of £170,656,000. The Retention Note will be comprised of the Retention Tranche A1a, the Retention Tranche A1b, the Retention Tranche A2, the Retention Tranche A3, the Retention Tranche B, the Retention Tranche C, the Retention Tranche SN, Retention Tranche SUL and Retention Tranche Deferred Consideration.

The Retention Note Amortising Tranches Principal Amount will not increase following the Closing Date.

Variability of Retention Tranche SN Principal Amount

Following the Closing Date, the Retention Noteholder may advance additional amounts to the Issuer if a Subordinated Note Drawing is made on the Subordinated Note. Any such additional amount will be equal to at least 5 per cent. of the amount set out in Condition 17 and will comprise part of the Retention Tranche SN Principal Amount.

The proceeds of any Retention Note Drawing will be credited to the Subordinated Note Ledger in the first instance and will be available for the same purposes as the Subordinated Note Drawing. See “—*Subordinated Note*” above.

Start-Up Loan

The Issuer will enter into the Start-Up Loan Agreement on the Closing Date with the Start-Up Loan Provider, pursuant to which the Start-Up Loan Provider will advance a loan (the **Start-Up Loan**) to the Issuer on the Closing Date to (a) to pay for certain of the Issuer’s initial fees and expenses incurred in connection with the issue of the Notes under an Advance (as defined in the Start-Up Loan Agreement) under Tranche A (**Tranche A**) of the Start-Up Loan (together with a corresponding Retention Note Drawing), and (b) to establish the Liquidity Reserve Fund in an amount equal to the Initial Liquidity Reserve Fund Required Amount under an Advance under Tranche B (**Tranche B**) of the Start-Up Loan (together with a corresponding Retention Note Drawing).

Following the Closing Date, the Cash Manager (on behalf of the Issuer) may deliver to the Start-Up Loan Provider a Start-Up Loan Post Closing Drawdown Notice requesting the drawing as a further Advance under Tranche C (**Tranche C**) of the Start-Up Loan (and a corresponding Retention Note Drawing), of such further amount as the Cash Manager determines to be necessary to ensure that the Liquidity Reserve Fund is funded up to the Liquidity Reserve Fund Required Amount.

Interest Rate Risk for the Sterling Notes

Some of the Loans in the Portfolio pay a fixed rate of interest for a period of time. Other Loans in the Portfolio pay a variable rate of interest. However, the interest rate payable by the Issuer with respect to the Rated Notes is an amount calculated by reference to Three-Month Sterling LIBOR (or, with respect to the Class A1a Notes, Three-Month EURIBOR).

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) a rate of interest calculated by reference to Three-Month Sterling LIBOR payable on (i) the Rated Notes (other than the Class A1a Notes), and (ii) certain of the Issuer’s obligations under the Currency Swap,

the Issuer will enter into the Interest Rate Swap with the Interest Rate Swap Provider on the Closing Date.

The Interest Rate Swap will be governed by the Interest Rate Swap Agreement.

To hedge against its interest rate and currency exposure in respect of the Class A1a Notes the Issuer will enter into the Currency Swap with the Currency Swap Provider on the Closing Date (see “*Currency and Interest Rate Risk for the Class A1a Notes*” below for further details).

Interest Rate Swap

Payments received by the Issuer under some of the Loans in the Portfolio will be subject to fixed rates of interest. The interest amounts payable by the Issuer in respect of the Rated Notes, except for the Class A1a Notes, will be calculated by reference to Three-Month Sterling LIBOR. Pursuant to the Interest Rate Swap Agreement the Issuer will enter into the Interest Rate Swap to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Rated Notes (other than the Class A1a Notes) (the **Interest Rate Swap**).

Under the Interest Rate Swap, for each Interest Period falling prior to the termination date of the Interest Rate Swap, the following amounts will be calculated:

- (a) the amount equal to the product of (i) the Interest Rate Swap Notional Amount, (ii) Three-Month Sterling LIBOR (determined in accordance with the 2006 ISDA Definitions) as fixed on the immediately preceding Interest Payment Date plus a spread of 1.989 per cent. per annum and (iii) the number of days in the relevant Interest Period divided by 365 (the **Interest Rate Swap Provider Payment**); and
- (b) the amount equal to the product of (i) the Interest Rate Swap Notional Amount; (ii) the Weighted Average Fixed Rate; and (iii) the number of days in the relevant Interest Period divided by 365 (the **Issuer Payment**).

After these two amounts are calculated in relation to an Interest Period, the following payments will be made on the relevant Interest Payment Date:

- (a) if the Interest Rate Swap Provider Payment for that Interest Payment Date is greater than the Issuer Payment for that Interest Payment Date, then the Interest Rate Swap Provider will pay the positive difference to the Issuer;
- (b) if the Issuer Payment for that Interest Payment Date is greater than the Interest Rate Swap Provider Payment for that Interest Payment Date, then the Issuer will pay the positive difference to the Interest Rate Swap Provider; and
- (c) if the two amounts are equal, neither party will make a payment to the other.

If a payment is to be made by the Interest Rate Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the relevant Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

Subject to the circumstances described below, unless an Early Termination Event (as defined below) occurs and an Early Termination Date (as defined in the Interest Rate Swap Agreement) for the Interest Rate Swap is designated, the Interest Rate Swap will terminate on the earlier of (i) the date on which the Rated Notes are redeemed in full in full in accordance with Condition 7.2 (*Mandatory Redemption of the Notes in Part*) or Condition 7.3 (*Optional Redemption of the Rated Notes in Full*); (ii) following the expiry of the Revolving Period, the Interest Payment Date immediately following the Collection Period End Date on which the aggregate Performing Balance of the Fixed Rate Loans in the Portfolio is reduced to zero; and (iii) 17 April 2063.

Interest Rate Swap Notional Amount means, in relation to an Interest Period, the lesser of (i) an amount notified by the Cash Manager in Sterling equal to the aggregate Performing Balance of the Fixed Rate Loans in the Portfolio for the Collection Period ending immediately prior to the relevant Interest Payment Date, and (ii) £2,063,997,389.36.

Performing Balance means, in relation to a Fixed Rate Loan and an Interest Period, an amount (if any) in Sterling equal to the product of (i) the average daily Current Balance of such Fixed Rate Loan during the Collection Period ending in the relevant Interest Period and (ii) the result of (a) the interest actually paid by the relevant Borrower during that Collection Period; divided by (b) the interest due and payable by the relevant Borrower during that Collection Period.

Weighted Average Fixed Rate means, in relation to an Interest Period, the weighted average of the fixed rates of interest charged to Borrowers of Fixed Rate Loans during the Collection Period ending in the relevant Interest Period (with each rate applicable to a Fixed Rate Loan weighted by reference to the proportion that the Performing Balance of such Fixed Rate Loan bears to the aggregate Performing Balance of all Fixed Rate Loans) as notified by the Cash Manager in accordance with the provisions of the Cash Management Agreement.

Currency and Interest Rate Risk for the Class A1a Notes

The Class A1a Notes will be denominated in Euro and will accrue interest at a rate calculated by reference to Three-Month EURIBOR. The Loans in the Portfolio are denominated in Sterling. Some of the Loans in the Portfolio pay a variable rate of interest. Other Loans in the Portfolio pay a fixed rate of interest for a period of time and, pursuant to the Interest Rate Swap, the Issuer will swap these fixed rates of interest for amounts calculated by reference to Three-Month Sterling LIBOR. Amounts received by the Issuer in respect of the Principal Receipts, Interest Receipts and amounts under the Interest Rate Swap will be in Sterling.

To provide a hedge against:

- (a) the possible variance between:
 - a. the various rates of interest received under the Discretionary Rate Loans, the Tracker Rate Loans and the Discounted Variable Rate Loans, and the amounts received under the Interest Rate Swap (the amounts under the Interest Rate Swap are calculated by reference to Three-Month Sterling LIBOR); and
 - b. the interest amounts due in respect of the Class A1a Notes (which are calculated by reference to Three-Month EURIBOR); and
- (b) the currency mismatch between:
 - a. the Sterling Principal Receipts and Sterling Revenue Receipts received in respect of the Portfolio and the Sterling amounts received under the Interest Rate Swap; and
 - b. the Euro interest amounts and principal amounts due on the Class A1a Notes,

the Issuer will enter into the Currency Swap with the Currency Swap Provider on the Closing Date.

The Currency Swap will be governed by the Currency Swap Agreement.

Currency Swap

Payments received by the Issuer under some of the Loans in the Portfolio will be subject to variable rates of interest and, pursuant to the Interest Rate Swap, the Issuer will swap the fixed rates of interest received by the Issuer under the Fixed Rate Loans for Three-Month Sterling LIBOR. The interest amounts payable by the Issuer in respect of the Class A1a Notes will be calculated by reference to Three-Month EURIBOR plus the Relevant Margin. Amounts received by the Issuer under the Loans (Principal Receipts and Revenue Receipts) and the Interest Rate Swap are in Sterling. The interest and principal amounts payable by the Issuer in respect of the Class A1a Notes are in Euro.

Under the Currency Swap Agreement, on each Interest Payment Date, the Currency Swap Provider will pay to the Issuer an amount denominated in Euro equivalent to the interest for the relevant Interest Period due and payable in Euro on the Principal Amount Outstanding of the Class A1a Notes. In return, the Issuer will pay to the Currency Swap Provider on each Interest Payment Date such amount in Sterling calculated by reference to Three-Month Sterling LIBOR plus, prior to the Step-Up Date a spread of 0.8957 per cent. or, from the Step-Up Date, a spread of 1.2957 per cent. on the Sterling equivalent of the Principal Amount Outstanding of the Class A1a Notes (such Principal Amount Outstanding to be converted into Sterling at an exchange rate specified in the Currency Swap Agreement).

In order to allow for the effective currency amount of the Currency Swap to amortise at the same rate as the Class A1a Notes the Currency Swap Agreement will provide that, as and when the Class A1a Notes amortise, a corresponding portion of the currency amount of the Currency Swap will amortise. On each Interest Payment Date (other than the date on which the Class A1a Notes are redeemed in full), the Issuer will, in accordance with the Pre-Enforcement Principal Priority of Payments, pay to the Currency Swap Provider an amount of Available Principal Receipts to be applied in partial redemption of the Class A1a Notes and the Currency Swap Provider under the Currency Swap Agreement will pay to the Issuer an amount equal to the amount of Available Principal Receipts received by it from the Issuer converted into Euro at the exchange rate specified in the Currency Swap Agreement, which will be applied by the Issuer in partial redemption of the Class A1a Notes in accordance with the Conditions.

On the Final Legal Maturity Date of the Class A1a Notes or, if earlier, the date on which such Notes are redeemed in full pursuant to the Conditions, under the Currency Swap Agreement the Issuer will, subject to the relevant Priority of Payments, pay to the Currency Swap Provider an amount in Sterling of Available Principal Receipts equivalent to the Principal Amount Outstanding of the Class A1a Notes on such date (such Principal Amount Outstanding to be converted into Sterling at an exchange rate specified in the Currency Swap Agreement). In return, on the Final Legal Maturity Date or, if earlier, the date on which the Class A1a Notes are redeemed in full pursuant to the Conditions, the Currency Swap Provider under the Currency Swap Agreement will pay to the Issuer an amount in Euro equal to the Principal Amount Outstanding of the Class A1a Notes on such date, which will be applied by the Issuer in redemption of the Class A1a Notes in accordance with the Conditions.

The relevant Euro/Sterling exchange rate under the Currency Swap Agreement will be determined on or prior to the Closing Date.

Subject to the circumstances described below, unless an Early Termination Event (as defined below) occurs and an Early Termination Date (as defined in the Currency Swap Agreement) for the Currency Swap is designated, the Currency Swap will terminate on the earlier of (i) 17 April 2063; and (ii) the date on which the Class A1a Notes are redeemed in full in accordance with Condition 7.2 (*Mandatory Redemption of the Notes in Part*) or Condition 7.3 (*Optional Redemption of the Rated Notes in Full*).

For so long as the Class A1a Notes are outstanding, if the Currency Swap Agreement is terminated and the Issuer is unable to enter into a replacement swap, then the Issuer shall pay interest and, to the extent provided for in the Conditions, principal on the Class A1a Notes on each Interest Payment Date after exchanging at the prevailing "spot" rate the Available Revenue Receipts and/or Available Principal Receipts from Sterling into Euro.

The Swap Agreements

Under the terms of the Swap Agreements, in the event that the relevant rating(s) or counterparty risk assessment of the relevant Swap Provider assigned by a Rating Agency is or are below the rating or counterparty risk assessment specified in the relevant Swap Agreement (in accordance with the requirements of the Rating Agencies (the **Required Swap Ratings**), the Swap Provider will, in accordance with the relevant Swap Agreement, be required to take certain remedial measures within the timeframe stipulated in such Swap Agreement and at its own cost which may include providing collateral for its obligations under the relevant Swap Agreement, arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the Required Swap Ratings, procuring another entity with the Required Swap Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the relevant Swap Agreement or taking such other action (which may include taking no action) that would result in the rating of the Rated Notes being maintained at, or restored to, the level it would have been at prior to such rating or counterparty risk assessment being assigned by the relevant Rating Agency. For so long as, with respect to the Interest Rate Swap, the Rated Notes are outstanding and with respect to the Currency Swap Agreement, the Class A1a Notes are outstanding, if the relevant Swap Agreement is terminated, the Issuer will use reasonable efforts to enter into a replacement swap.

Each Swap Agreement may be terminated in certain circumstances including, among others, the following, each as more specifically defined in the relevant Swap Agreement (an **Early Termination Event**):

- (a) if there is a failure by a party to make any payment or delivery due under such Swap Agreement and any applicable grace period has expired;

- (b) if certain insolvency events occur with respect to a party;
- (c) if a breach of a provision of such Swap Agreement by the relevant Swap Provider is not remedied within the applicable grace period;
- (d) if a change of law results in the obligations of one of the parties becoming illegal or a force majeure event results in the performance by either party of its obligations becoming impossible;
- (e) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Swap due to change in law (a **Tax Event**);
- (f) if the Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the relevant Swap Agreement and described above;
- (g) service by the Note Trustee of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events of Default) of the Notes;
- (h) if there is a redemption of the Notes pursuant to Condition 7.4 (*Optional Redemption of the Rated Notes for Taxation or Other Reasons*);
- (i) if any of the Transaction Documents to which a Swap Provider is not a party is amended without the prior written consent of that Swap Provider and that Swap Provider reasonably determines that such amendment would materially adversely affect the amount, timing or priority of any payments or deliveries due from the Issuer to the Swap Provider or from the Swap Provider to the Issuer; and
- (j) if the payee tax representations made by a Swap Provider proves to have been incorrect or misleading in any material respect.

In addition to the Early Termination Events, the Interest Rate Swap Agreement will also terminate on the earlier of (i) the date on which the Rated Notes are redeemed in full in accordance with Condition 7.2 (*Mandatory Redemption of the Notes in Part*) or Condition 7.3 (*Optional Redemption of the Rated Notes in Full*); (ii) following the expiry of the Revolving Period, the Interest Payment Date immediately following the Collection Period End Date on which the aggregate Performing Balance of the Fixed Rate Loans in the Portfolio is reduced to zero; and (iii) the Final Legal Maturity Date of the Rated Notes. In addition to the Early Termination Events, the Currency Swap will also terminate on the earlier of (i) the date on which the Class A1a Notes are redeemed in full in accordance with Condition 7.2 (*Mandatory Redemption of the Notes in Part*) or Condition 7.3 (*Optional Redemption of the Rated Notes in Full*); and (ii) 17 April 2063.

Upon termination following the designation of an Early Termination Date (as defined in the Swap Agreements), depending on the circumstances prevailing at the time of termination, the Issuer or the relevant Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling (in respect of the Interest Rate Swap), Euro (in respect of the Currency Swap). The amount of any termination payment will in certain circumstances (including following a Relevant Swap Provider Default or a Relevant Swap Provider Downgrade Event) be based on the market value of the terminated swaps as determined on the basis of firm offers sought from leading dealers as to the costs of entering into a transaction that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties. In other circumstances (including where no firm offers can be obtained, or following early termination due to a default by the Issuer), 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. In either case, the early termination amount will include any unpaid amounts that became due and payable on or prior to the date of termination, taking account of any collateral transferred by the relevant Swap Provider to the Issuer.

Depending on the terms of the relevant Swap and the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

Each Swap Provider may, subject to certain conditions specified in the relevant Swap Agreement including (without limitation) the satisfaction of certain requirements of the Rating Agencies, transfer its obligations under the relevant Swap Agreement to another entity with the Required Swap Ratings.

The Issuer is not obliged under the Swap Agreements 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 relevant Swap. However, if a Swap Provider is required to receive a payment subject to withholding under a Swap due to a change in law, the Swap Provider may terminate the relevant Swap.

The Swap Providers will generally be obliged to gross up payments made by them to the Issuer if a withholding or deduction for or on account of tax is imposed on payments made by them under the relevant Swap (unless such withholding or deduction is for or on account of FATCA). However, if a Swap Provider is required to gross up a payment under relevant Swap due to a change in the law, the Swap Provider may terminate the relevant Swap.

Each Swap Agreement is governed by English law.

CASHFLOWS

Application of Revenue

Definitions

Accrued Interest means, in relation to a Loan as at any date, the aggregate of all interest accrued but not yet due and payable on such Loan from (and including) the Monthly Payment Date in respect of such Loan immediately preceding the relevant date to (but excluding) the relevant date.

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

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

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;
- (b) interest payable to the Issuer on the Bank Accounts (other than the Swap Collateral Accounts, in respect of which any interest payable to the Issuer shall constitute Swap Collateral) and income from any Authorised Investments, in each case, during the immediately preceding Collection Period, which have been received by the Issuer;
- (c) amounts received by the Issuer under the Swap Agreements (other than (i) any early termination amount received by the Issuer under a Swap Agreement which is to be applied in acquiring a replacement swap; (ii) Excess Swap Collateral or Swap Collateral (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the relevant Swap Agreement, to reduce the amount that would otherwise be payable by the relevant Swap Provider to the Issuer on early termination of the relevant Swap under the relevant Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the relevant Swap Provider such Swap Collateral is not to be applied in acquiring a replacement swap in which case such amounts will be included in Available Revenue Receipts); (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the relevant Swap Provider; (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date; and (v) Euro exchange amounts received by the Issuer which relate to Principal Receipts denominated in Sterling exchanged for such Euro exchange amounts under the Currency Swap Agreement);
- (d) the Liquidity Reserve Fund Excess Amounts;
- (e) following the redemption in full of the Class A Notes, the Class B Notes and the portions of the Retention Note comprised by Retention Tranche A and Retention Tranche B, all amounts standing to the credit of the Liquidity Reserve Fund Ledger;
- (f) on the Interest Payment Date falling in January 2017 only, amounts standing to the credit of the Start-Up Loan Ledger of the Issuer Transaction Account in respect of amounts advanced under Tranche A of the Start-Up Loan to the extent such amounts have not been applied to pay the closing costs and expenses of the Issuer by such Interest Payment Date;
- (g) the amount of any Advance under Tranche C of the Start-Up Loan Agreement and the corresponding Retention Note Drawing made with respect to the relevant Interest Payment Date;
- (h) any Available Principal Receipts to be applied on such Interest Payment Date pursuant to items (a)(i), (a)(ii) and (a)(iii) or (b)(i), (b)(ii) and (b)(iii), as applicable, of the Pre-Enforcement Principal Priority of Payments in an amount sufficient to cure a Revenue Deficiency (if any);
- (i) any amounts received by way of enforcement of the Loans and Related Security other than those amounts deemed to be principal; and

- (j) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts.

Cumulative Default Ratio 1 means Cumulative Defaults represent less than 14 per cent. of the aggregate Current Balance on the Closing Date.

Cumulative Default Ratio 2 means Cumulative Defaults represent less than 10.5 per cent. of the aggregate Current Balance on the Closing Date.

Cumulative Default Triggers means Cumulative Default Ratio 1 and Cumulative Default Ratio 2.

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.

Currency Swap Excluded Termination Amount means the amount of any termination payment due and payable to the Currency Swap Provider as a result of a Relevant Swap Provider Default or Relevant Swap Provider Downgrade Event in respect of the Currency Swap Provider (to the extent such payment cannot be satisfied by payment by the Issuer of any Replacement Swap Premium).

Currency Swap Provider means Wells Fargo Bank, N.A., London Branch and any successor, transferee or replacement swap provider under the Currency Swap Agreement or a Replacement Currency Swap Agreement in respect of the Currency Swap (as applicable)..

Excess Swap Collateral means, in respect of a Swap Agreement, an amount (which will be transferred directly to the relevant Swap Provider in accordance with the relevant Swap Agreement) (i) in the case of a termination resulting from the designation of an Early Termination Date under and as defined in the relevant Swap Agreement, equal to the amount by which the value of the collateral (or the applicable part of any collateral) provided by the Swap Provider (including any interest and distributions in respect thereof) to the Issuer pursuant to the relevant Swap Agreement and held by the Issuer at such time exceeds the Swap Provider's liability under the relevant Swap Agreement as determined on or as soon as reasonably practicable after the date of termination of such Swap Agreement (such liability shall be determined in accordance with the terms of the relevant Swap Agreement except that for the purpose of this definition only the value of the collateral will not be applied as an Unpaid Amount owed by the Issuer to the Swap Provider); or (ii) in any other circumstance, which the Swap Provider is otherwise entitled to under the terms of the relevant Swap Agreement including as a result of changes in the value of the collateral and/or the relevant Swap.

Interest Period means in respect of interest payments made in respect of the Notes, the period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date.

Interest Rate Swap Excluded Termination Amount means the amount of any termination payment due and payable to the Interest Rate Swap Provider as a result of a Relevant Swap Provider Default or Relevant Swap Provider Downgrade Event (to the extent such payment cannot be satisfied by payment by the Issuer of any Replacement Swap Premium).

Interest Rate Swap Provider means Wells Fargo Bank, N.A., London Branch and any successor, transferee or replacement swap provider under the Interest Rate Swap Agreement or a Replacement Interest Rate Swap Agreement (as applicable).

Liquidity Reserve Fund Drawing means, on an Interest Payment Date, a drawing from the Liquidity Reserve Fund of an amount equal to the lesser of (a) and (b) where:

- (a) is the balance standing to the credit of the Liquidity Reserve Fund Ledger; and
- (b) is the maximum amount the Issuer would pay in respect of the items referred to in the Liquidity Reserve Fund Revenue Priority of Payment, after deducting all Available Revenue Receipts applied on that Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments.

Liquidity Reserve Fund Excess Amount means amounts standing to the credit of the Liquidity Reserve Fund Ledger on an Interest Payment Date in excess of the Liquidity Reserve Fund Required Amount for that Interest Payment Date.

Partial Redemption means when a Borrower makes a lump sum reduction on a Loan whereby the balance on which interest is charged will be reduced in accordance with the Mortgage Terms.

Principal Deficiency means any Losses arising in relation to a Loan in the Portfolio which causes a shortfall in the amount of Available Principal Receipts available to pay for (i) Revenue Deficiency, and (ii) principal on the Notes.

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.

Relevant Class A1a Note Interest Amount means interest due and payable on the Class A1a Notes on the relevant Interest Payment Date.

Relevant Class A1b Note Interest Amount means interest due and payable on the Class A1b Notes on the relevant Interest Payment Date.

Relevant Class A2 Note Interest Amount means interest due and payable on the Class A2 Notes on the relevant Interest Payment Date.

Relevant Class A3 Note Interest Amount means interest due and payable on the Class A3 Notes on the relevant Interest Payment Date.

Relevant Class B Note Interest Amount means interest due and payable on the Class B Notes on the relevant Interest Payment Date.

Relevant Class C Note Interest Amount means interest due and payable on the Class C Notes on the relevant Interest Payment Date.

Relevant Retention Note Interest Amount means interest due and payable on the Retention Note on the relevant Interest Payment Date.

Relevant Retention Tranche A1a Interest Amount means interest due and payable on the Retention Notes in respect of Retention Tranche A1a on the relevant Interest Payment Date and which forms part of the Relevant Retention Note Interest Amount.

Relevant Retention Tranche A1b Interest Amount means interest due and payable on the Retention Notes in respect of Retention Tranche A1b on the relevant Interest Payment Date and which forms part of the Relevant Retention Note Interest Amount.

Relevant Retention Tranche A2 Interest Amount means interest due and payable on the Retention Notes in respect of Retention Tranche A2 on the relevant Interest Payment Date and which forms part of the Relevant Retention Note Interest Amount.

Relevant Retention Tranche A3 Interest Amount means interest due and payable on the Retention Notes in respect of Retention Tranche A3 on the relevant Interest Payment Date and which forms part of the Relevant Retention Note Interest Amount.

Relevant Retention Tranche B Interest Amount means interest due and payable on the Retention Notes in respect of Retention Tranche B on the relevant Interest Payment Date and which forms part of the Relevant Retention Note Interest Amount.

Relevant Retention Tranche C Interest Amount means interest due and payable on the Retention Notes in respect of Retention Tranche C on the relevant Interest Payment Date and which forms part of the Relevant Retention Note Interest Amount.

Relevant Retention Tranche SN Interest Amount means interest due and payable on the Retention Notes in respect of Retention Tranche SN on the relevant Interest Payment Date and which forms part of the Relevant Retention Note Interest Amount.

Relevant Swap Provider Default means, in respect of a Swap Provider, the occurrence of an Event of Default (as defined in the relevant Swap Agreement) where such Swap Provider is the Defaulting Party (as defined in the relevant Swap Agreement).

Relevant Swap Provider Downgrade Event means, in respect of a Swap Provider, the occurrence of an Additional Termination Event (as defined in the relevant Swap Agreement) following the failure by such Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Swap Agreement.

Replacement Currency Swap Agreement means the agreement entered into between the Issuer and any replacement swap provider documenting the replacement currency swaps(s) entered into pursuant to the Cash Management Agreement.

Replacement Interest Rate Swap Agreement means the agreement entered into between the Issuer and any replacement swap provider documenting the replacement interest rate swaps(s) entered into pursuant to the Cash Management Agreement.

Replacement Swap Premium means in respect of a Swap, an amount received by the Issuer from a replacement swap provider upon entry by the Issuer into a Replacement Interest Rate Swap Agreement or Replacement Currency Swap Agreement (as the case may be) with such replacement swap provider.

Revenue Deficiency means any deficit amount of Available Revenue Receipts to pay items (a) to (m) (excluding items (i) and (l)) of the Pre-Enforcement Revenue Priority of Payments, as determined by the Cash Manager in accordance with the Cash Management Agreement.

Revenue Receipts means any payment received in respect of any Loan, or in respect of interest amounts or any fees in relation to a Loan (otherwise than in respect of a Loan that has been repurchased by the Seller), whether as all or part of a Monthly Payment in respect of such Loan, on redemption (including Partial Redemption) of such Loan, on enforcement of such Loan (including recoveries in respect of interest and fees payable from the proceeds of sale of the relevant Property but only after the full aggregate principal amount outstanding has been recovered in respect of the relevant Loan if such recoveries are identifiable by the Seller as relating to a Loan in the Portfolio) or on the disposal of such Loan or otherwise, which in any such case is not recorded as a Principal Receipt in respect of such Loan.

Swap Agreement means the Currency Swap Agreement or the Interest Rate Swap Agreement (as applicable).

Swap Collateral means in respect of a Swap Agreement an amount equal to the value of collateral (other than Excess Swap Collateral) provided by the relevant Swap Provider to the Issuer under the relevant Swap Agreement and includes any interest and distributions in respect thereof.

Swap Provider means the Currency Swap Provider or the Interest Rate Swap Provider (as applicable).

Swap Tax Credits means in respect of a Swap Agreement 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 relevant Swap Provider to the Issuer.

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

On each relevant Interest Payment Date prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall apply or provide for application of the Available Revenue Receipts received during the immediately preceding Interest Period 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:
 - a. any fees, costs, charges, liabilities, expenses, indemnity payments and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Note Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein, and
 - b. any fees, costs, charges, liabilities, expenses, indemnity payments and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any remuneration then due and payable to the Paying Agents, the Agent Bank, the Registrar and the Corporate Services Provider and any fees, costs, charges, liabilities, expenses, indemnity payments and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein:
- (c) *third*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - a. any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein,
 - b. any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein,
 - c. any amounts then due and payable to the Swap Collateral Account Bank(s) and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Swap Collateral Account Bank(s) in the immediately succeeding Interest Period under the provisions of the Swap Collateral Account Bank Agreement(s), together with VAT (if payable) thereon as provided therein,
 - d. any amounts then due and payable to the Back-Up Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Facilitator in the immediately succeeding Interest Period under the provisions of the Servicing Agreement and the Cash Management Agreement, together with VAT (if payable) thereon as provided therein, and
 - e. any amounts then due and payable to the Issuer Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Issuer Account Bank in the immediately succeeding Interest Period under the provisions of the Bank Account Agreement, together with VAT (if payable) thereon as provided therein;

- (d) *fourth*, in or towards satisfaction of any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (e));
- (e) *fifth*, to pay the Issuer an amount equal to the Issuer Profit Amount to be retained by the Issuer as profit in respect of the business of the Issuer;
- (f) *sixth*, in or towards satisfaction of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period;
- (g) *seventh*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - a. any amounts due to an Interest Rate Swap Provider in respect of the Interest Rate 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 an Interest Rate Swap Provider of any Replacement Swap Premium) but excluding any related Interest Rate Swap Excluded Termination Amount, and
 - b. any amounts due to the Currency Swap Provider in respect of the Currency 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 Currency Swap Provider of any Replacement Swap Premium) but excluding any related Currency Swap Excluded Termination Amount and any amounts denominated in Sterling payable by the Issuer or the Currency Swap Provider in exchange for Euro exchange amounts under the Currency Swap Agreement;
- (h) *eighth*, in or towards satisfaction of amounts due on the relevant Interest Payment Date, to pay *pro rata* and *pari passu* according to the respective amounts thereof:
 - a. the Relevant Class A1a Note Interest Amount and any accrued but unpaid interest to the Class A1a Noteholders,
 - b. the Relevant Retention Tranche A1a Interest Amount and any accrued but unpaid interest with respect to the Retention Tranche A1a Principal Amount to the Retention Noteholder,
 - c. the Relevant Class A1b Note Interest Amount and any accrued but unpaid interest to the Class A1b Noteholders,
 - d. the Relevant Retention Tranche A1b Interest Amount and any accrued but unpaid interest with respect to the Retention Tranche A1b Principal Amount to the Retention Noteholder,
 - e. the Relevant Class A2 Note Interest Amount and any accrued but unpaid interest to the Class A2 Noteholders,
 - f. the Relevant Retention Tranche A2 Interest Amount and any accrued but unpaid interest with respect to the Retention Tranche A2 Principal Amount to the Retention Noteholder,
 - g. the Relevant Class A3 Note Interest Amount and any accrued but unpaid interest to the Class A3 Noteholders, and
 - h. the Relevant Retention Tranche A3 Interest Amount and any accrued but unpaid interest with respect to the Retention Tranche A3 Principal Amount to the Retention Noteholder;
- (i) *ninth*, to credit, *pro rata* and *pari passu* according to the respective amounts thereof,
 - a. (so long as the Class A Notes will remain outstanding following such Interest Payment Date) the Class A Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts), and

- b. (so long as the Retention Note will remain outstanding following such Interest Payment Date) the Retention Tranche A Principal Deficiency Sub-Ledger on the Retention Note Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (j) *tenth*, in or towards satisfaction of amounts due on the relevant Interest Payment Date, to pay *pro rata* and *pari passu* according to the respective amounts thereof, the Relevant Class B Note Interest Amount and any accrued but unpaid interest to the Class B Noteholders, and the Relevant Retention Tranche B Interest Amount and any accrued but unpaid interest with respect to the Retention Tranche B Principal Amount to the Retention Noteholder;
- (k) *eleventh*, to retain an amount in the Issuer Transaction Account in order to replenish the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount (with a corresponding credit to the Liquidity Reserve Fund Ledger);
- (l) *twelfth*, to credit, *pro rata* and *pari passu* according to the respective amounts thereof,
 - a. (so long as the Class B Notes will remain outstanding following such Interest Payment Date) to credit the Class B Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts), and
 - b. (so long as the Retention Note will remain outstanding following such Interest Payment Date) the Retention Tranche B Principal Deficiency Sub-Ledger on the Retention Note Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (m) *thirteenth*, in or towards satisfaction of amounts due on the relevant Interest Payment Date, to pay *pro rata* and *pari passu* according to the respective amounts thereof, the Relevant Class C Note Interest Amount and any accrued but unpaid interest to the Class C Noteholders, and the Relevant Retention Tranche C Interest Amount and any accrued but unpaid interest with respect to the Retention Tranche C Principal Amount to the Retention Noteholder;
- (n) *fourteenth*, to credit, *pro rata* and *pari passu* according to the respective amounts thereof,
 - a. (so long as the Class C Notes will remain outstanding following such Interest Payment Date) to credit the Class C Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts), and
 - b. (so long as the Retention Note will remain outstanding following such Interest Payment Date) the Retention Tranche C Principal Deficiency Sub-Ledger on the Retention Note Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (o) *fifteenth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - a. in accordance with the terms of the Interest Rate Swap Agreement, to the Interest Rate Swap Provider in respect of an Interest Rate Swap Excluded Termination Amount (to the extent not satisfied by payment to the Interest Rate Swap Provider by the Issuer of any Replacement Swap Premium), and
 - b. in accordance with the terms of the Currency Swap Agreement, to the Currency Swap Provider in respect of a Currency Swap Excluded Termination Amount (to the extent not satisfied by payment to the Currency Swap Provider by the Issuer of any Replacement Swap Premium);

- (p) *sixteenth*, to credit, *pro rata* and *pari passu* according to the respective amounts thereof,
 - a. (so long as the Subordinated Note will remain outstanding following such Interest Payment Date) to credit the Subordinated Note Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts), and
 - b. (so long as the Retention Note will remain outstanding following such Interest Payment Date) the Retention Tranche SN Principal Deficiency Sub-Ledger on the Retention Note Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (q) *seventeenth*, in or towards satisfaction of amounts due on the relevant Interest Payment Date, to pay *pro rata* and *pari passu* according to the respective amounts thereof, the Relevant Subordinated Note Interest Amount and any accrued but unpaid interest to the Subordinated Noteholder, and the Relevant Retention Tranche SN Interest Amount and any accrued but unpaid interest with respect to the Retention Tranche SN Principal Amount to the Retention Noteholder;
- (r) *eighteenth*, in or towards satisfaction of all amounts due, to pay *pro rata* and *pari passu* according to the respective amounts thereof, all amounts due under the Start-Up Loan and any accrued but unpaid interest to the Start-Up Loan Provider and all amounts due and any accrued but unpaid interest with respect to the Retention Tranche SUL Principal Amount to the Retention Noteholder; and
- (s) *nineteenth*, to pay any remaining amounts in accordance with the Mortgage Sale Agreement in respect of the Loans sold to the Issuer from time to time (the **Deferred Consideration**), as follows:
 - (A) the product of the Retention Tranche Deferred Consideration Payment Percentage and such Deferred Consideration to the Retention Noteholder in respect of the portion of the Retention Note comprised by Retention Tranche Deferred Consideration, and
 - (B) all remaining amounts to the Seller.

Application of Monies Released from the Liquidity Reserve Fund

On each relevant Interest Payment Date prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall, after application of the Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments, apply a Liquidity Reserve Fund Drawing in the following order of priority (in each case only if and to the extent that such payments have not already been made as a result of the operation of the Revenue Priority of Payments and payments or provisions of a higher priority have been made in full) (the **Liquidity Reserve Fund Revenue Priority of Payments**):

- (a) *first*, the amount specified in item (a) of the Pre-Enforcement Revenue Priority of Payments;
- (b) *second*, the amount specified in item (b) of the Pre-Enforcement Revenue Priority of Payments;
- (c) *third*, the amount specified in item (c) of the Pre-Enforcement Revenue Priority of Payments;
- (d) *fourth*, the amount specified in item (d) of the Pre-Enforcement Revenue Priority of Payments;
- (e) *fifth*, the amount specified in item (e) of the Pre-Enforcement Revenue Priority of Payments;
- (f) *sixth*, the amount specified in item (f) of the Pre-Enforcement Revenue Priority of Payments;
- (g) *seventh*, the amount specified in item (g) of the Pre-Enforcement Revenue Priority of Payments;
- (h) *eighth*, the amount specified in item (h) of the Pre-Enforcement Revenue Priority of Payments; and
- (i) *ninth*, the amount specified in item (j) of the Pre-Enforcement Revenue Priority of Payments, only if Cumulative Default Ratio 1 is met.

Application of Monies Following Redemption of the Notes in Full

On the relevant date (which is not an Interest Payment Date) of redemption of the Notes in full, the Issuer (or the Cash Manager on its behalf) may, or if directed by the Seller, shall, apply all amounts standing to the credit of the Bank Accounts of the Issuer to repay any liabilities of the Issuer and to discharge all other amounts required to be paid by the Issuer in accordance with the order of priority set out in the Post-Enforcement Priority of Payments.

Application of Principal

Definitions

Available Principal Receipts means for any Interest Payment Date an amount equal to the aggregate of (without double counting and applied on a first in first out basis):

- (a) any Class A3 Reserve Amount standing to the credit of the Class A3 Reserve Ledger from the preceding Interest Payment Date, which remains to the credit of the Class A3 Reserve Ledger (such amount to be applied in advance of all other Available Principal Receipts);
- (b) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date:
 - a. received by the Issuer during the immediately preceding Collection Period; and
 - b. received by the Issuer from the Seller during the immediately preceding Collection Period in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement;
- (c) any amounts received by way of enforcement of the Loans and Related Security deemed to be principal;
- (d) amounts credited to a Principal Deficiency Ledger in accordance with items (i), (l), (n) and (p) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;
- (e) any insurance proceeds received during the immediately preceding Collection Period;
- (f) any amount drawn under the Subordinated Note and the portion of the Retention Note comprised by Retention Tranche SN equal to any Class A1a Shortfall Amount, any Retention Tranche A1a Shortfall Amount, Class A1b Shortfall Amount, any Retention Tranche A1b Shortfall Amount, any Class A2 Shortfall Amount or any Retention Tranche A2 Shortfall Amount which has been recorded on such Interest Payment Date;
- (g) Euro exchange amounts received by the Issuer which relate to Sterling Principal Receipts that have been exchanged for such Euro exchange amounts under the Currency Swap Agreement, but not including any other amount in respect of the Currency Swap Agreement (or any termination amount); and
- (h) any other amounts deemed by the Cash Manager to be principal which are not Available Revenue Receipts;
minus
- (i) an amount equal to the aggregate of all Further Advance Purchase Price amounts and all New Portfolio Purchase Price amounts paid by the Issuer in such Collection Period (but excluding from this deduction any Further Advance Purchase Price amounts and any New Portfolio Purchase Price amounts to be paid by the Issuer on that Interest Payment Date),

and for the avoidance of doubt the following shall not constitute Available Principal Receipts:

- (i) amounts applied to the Revenue Priority of Payments under items (a)(i), (a)(ii) and (a)(iii) or (b)(i), (b)(ii) and (b)(iii), as applicable, of the Pre-Enforcement Principal Priority of Payments; and
- (ii) any amounts standing to the credit of the Principal Ledger that are applied in or towards the payment of any Optional Redemption Repayment Amount pursuant to the terms of the Trust Deed.

Class A1a Shortfall Amount means the amount by which:

- (a) the requisite amount for the Issuer to repay the Class A1a Notes on an Interest Payment Date down to the applicable Class A1a Target Amortisation Amount for that Interest Payment Date;
exceeds
- (b) the amount of Available Principal Receipts remaining to be applied under the Pre-Enforcement Principal Priority of Payments after payment of items (a)(i) to (a)(iv) (inclusive) thereunder on the same Interest Payment Date,

as determined by the Cash Manager on a Calculation Date prior to that Interest Payment Date in accordance with the Cash Management Agreement.

Class A1b Shortfall Amount means the amount by which:

- (c) the requisite amount for the Issuer to repay the Class A1b Notes on an Interest Payment Date down to the applicable Class A1b Target Amortisation Amount for that Interest Payment Date;
exceeds
- (d) the amount of Available Principal Receipts remaining to be applied under the Pre-Enforcement Principal Priority of Payments after payment of items (a)(i) to (a)(iv) (inclusive) thereunder on the same Interest Payment Date,

as determined by the Cash Manager on a Calculation Date prior to that Interest Payment Date in accordance with the Cash Management Agreement.

Class A2 Shortfall Amount means the amount by which:

- (a) the requisite amount for the Issuer to repay the Class A2 Notes on an Interest Payment Date down to the applicable Class A2 Target Amortisation Amount for that Interest Payment Date;
exceeds
- (b) the amount of Available Principal Receipts remaining to be applied under the Pre-Enforcement Principal Priority of Payments after payment of items (a)(i) to (a)(iv) (inclusive) thereunder on the same Interest Payment Date,

as determined by the Cash Manager on a Calculation Date prior to that Interest Payment Date in accordance with the Cash Management Agreement.

Class A3 Reserve Amount means for any Interest Payment Date during the Revolving Period, assuming firstly that the amount under limb (a) of the definition of Available Principal Receipts has been applied in full in accordance with the Pre-Enforcement Principal Priority of Payments on that Interest Payment Date, the remaining amount of Available Principal Receipts available to the Issuer for application towards item (a)(vii) of the Pre-Enforcement Principal Priority of Payments on that Interest Payment Date after payment of the Maximum Class A3 Amortisation Amount.

Maximum Class A3 Amortisation Amount means for any Interest Payment Date during the Revolving Period, the remaining amount under limb (a) of the definition of Available Principal Receipts available to the Issuer for application towards item (a)(vii) of the Pre-Enforcement Principal Priority of Payments after the payment in full of amounts due under items (a)(i) to (a)(vi) (inclusive) of the Pre-Enforcement Principal Priority of Payments (if any).

A **Pass-Through Event** will occur if, during the Revolving Period, the Class A3 Notes are redeemed in full and the portion of the Retention Note comprised by Retention Tranche A3 is reduced to zero.

Portfolio Eligibility Trigger means the occurrence of any one of the following events:

- (a) the Step-Up Date;
- (b) a Seller Insolvency Event;
- (c) an unremedied breach by the Seller of any of its obligations under the Transaction Documents, which breach has (or, with the passage of time, would have) a Material Adverse Effect;
- (d) following the application of the Pre-Enforcement Revenue Priority of Payments on an Interest Payment Date, the balance recorded to the Subordinated Note Principal Deficiency Ledger is in excess of 1 per cent. of the aggregate Principal Amount Outstanding of all Notes as at that Interest Payment Date;
- (e) the Liquidity Reserve Fund are not fully funded to the Liquidity Reserve Fund Required Amount on an Interest Payment Date following application of the Revenue Priority of Payments;
- (f) redemption in full of the Class A3 Notes and the portion of the Retention Note comprised by Retention Tranche A3; and
- (g) the aggregate Current Balance of the Loans in the Portfolio which are then in arrears for 3 months or more is greater than or equal to 3 per cent. of the aggregate Current Balance of all Loans in the Portfolio as at any Interest Payment Date.

Principal Receipts means any amount received and recorded as being received in respect of principal in respect of any Loan (including payments pursuant to any Insurance Policies), whether as all or part of a Monthly Payment in respect of such Loan, on redemption (including Partial Redemption) of such Loan, on enforcement of such Loan (including the proceeds of sale of the relevant Property) or on the disposal of such Loan or otherwise (without double counting but including principal received or treated as received after completion of the relevant enforcement procedures undertaken in accordance with the Seller's Policy until the full principal amount has been recovered in respect of the relevant Loan and principal received from the Seller in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement).

Reconciliation Amount means in respect of any Collection Period which is a Determination Period:

- (a) the actual Principal Receipts as determined in accordance with the available Servicer Reports;
- (b) *less* the Calculated Principal Receipts in respect of such Collection Period;
- (c) *plus* any Reconciliation Amount not applied in previous Collection Periods;

Retention Tranche A1a Shortfall Amount means the amount by which:

- (d) the requisite amount for the Issuer to repay the portion of the Retention Note comprised by Retention Tranche A1a on an Interest Payment Date down to the applicable Retention Tranche A1a Target Amortisation Amount for that Interest Payment Date;
exceeds
- (e) the amount of Available Principal Receipts remaining to be applied under the Pre-Enforcement Principal Priority of Payments after payment of items (a)(i) to (a)(iv) (inclusive) thereunder on the same Interest Payment Date,

as determined by the Cash Manager on a Calculation Date prior to that Interest Payment Date in accordance with the Cash Management Agreement.

Retention Tranche A2 Shortfall Amount means the amount by which:

- (f) the requisite amount for the Issuer to repay the portion of the Retention Note comprised by Retention Tranche A2 on an Interest Payment Date down to the applicable Retention Tranche A2 Target Amortisation Amount for that Interest Payment Date;

exceeds

- (g) the amount of Available Principal Receipts remaining to be applied under the Pre-Enforcement Principal Priority of Payments after payment of items (a)(i) to (a)(iv) (inclusive) thereunder on the same Interest Payment Date,

as determined by the Cash Manager on a Calculation Date prior to that Interest Payment Date in accordance with the Cash Management Agreement.

Retention Tranche Deferred Consideration Payment Percentage means the aggregate Principal Amount Outstanding of the Retention Note as a percentage of the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes and the Subordinated Note and the outstanding principal amount of the Start-Up Loan.

Revolving Period End Date means the earlier of (i) the Interest Payment Date falling in April 2021; and (ii) the occurrence of a Revolving Period Termination Event.

Revolving Period Termination Event means (i) the occurrence of a Pass-Through Event; (ii) the occurrence of an Event of Default; or (iii) the occurrence of a Portfolio Eligibility Trigger.

Pre-Enforcement Principal Priority of Payments

On any Interest Payment Date prior to the service of a Note Acceleration Notice on the Issuer by the Note Trustee, the Issuer (or the Cash Manager on its behalf) shall apply Available Principal Receipts in the following order of priority (the **Pre-Enforcement Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of higher priority have been paid in full of which the first of the Available Principal Receipts to be applied shall be any amount falling under paragraph (a) of the definition of Available Principal Receipts):

- (a) During the Revolving Period:
 - (i) *first*, an amount in or up to the amount of any remaining Revenue Deficiency determined by the Cash Manager to pay items (a) to (h) of the Pre-Enforcement Revenue Priority of Payments following the application of the Liquidity Reserve Fund Drawing on that Interest Payment Date, to be applied as Available Revenue Receipts on such Interest Payment Date (with a corresponding debit to the relevant Principal Deficiency Sub-Ledger);
 - (ii) *second*, if Cumulative Default Ratio 1 is met, an amount in or up to the amount of any remaining Revenue Deficiency determined by the Cash Manager to pay item (j) of the Pre-Enforcement Revenue Priority of Payments following the application of the Liquidity Reserve Fund Drawing on that Interest Payment Date, to be applied as Available Revenue Receipts on such Interest Payment Date (with a corresponding debit to the relevant Principal Deficiency Sub-Ledger);
 - (iii) *third*, if Cumulative Default Ratio 2 is met, an amount in or up to the amount of any remaining Revenue Deficiency determined by the Cash Manager to pay item (m) of the Pre-Enforcement Revenue Priority of Payments following the application of the Liquidity Reserve Fund Drawing on that Interest Payment Date, to be applied as Available Revenue Receipts on such Interest Payment Date (with a corresponding debit to the relevant Principal Deficiency Sub-Ledger);
 - (iv) *fourth*, (so long as there are any amounts standing to debit of the Further Advance Purchase Price Ledger) to credit the Further Advance Purchase Price Ledger in an amount sufficient to eliminate any debit thereon;

- (v) *fifth*, to pay *pari passu* and on a *pro rata* basis according to the respective amount required to reach the relevant Target Amortisation Amount for such Class:
 - (A) to the Currency Swap Provider, Sterling exchange amounts in exchange for Euro exchange amounts under the Currency Swap Agreement, with the Issuer using the Euro exchange amounts received from the Currency Swap Provider to pay to the Class A1a Noteholders, in or towards repayment of the principal amounts outstanding on the Class A1a Notes, up to the Class A1a Target Amortisation Amount for such Interest Payment Date,
 - (B) to the Retention Noteholder in or towards repayment of the principal amounts outstanding on the Retention Note, up to the Retention Tranche A1a Target Amortisation Amount for such Interest Payment Date,
 - (C) to the Class A1b Noteholders in or towards repayment of the principal amounts outstanding on the Class A1b Notes, up to the Class A1b Target Amortisation Amount for such Interest Payment Date,
 - (D) to the Retention Noteholder in or towards repayment of the principal amounts outstanding on the Retention Note, up to the Retention Tranche A1b Target Amortisation Amount for such Interest Payment Date,
 - (E) to the Class A2 Noteholders in or towards repayment of the principal amounts outstanding on the Class A2 Notes, up to the Class A2 Target Amortisation Amount for such Interest Payment Date, and
 - (F) to the Retention Noteholder in or towards repayment of the principal amounts outstanding on the Retention Note, up to the Retention Tranche A2 Target Amortisation Amount for such Interest Payment Date;
 - (vi) *sixth*, (so long as there are any amounts standing to debit of the New Portfolio Purchase Price Ledger) to credit the New Portfolio Purchase Price Ledger in an amount sufficient to eliminate any debt thereon;
 - (vii) *seventh*, to pay *pari passu* and on a *pro rata* basis according to the respective amounts thereof, up to the Maximum Class A3 Amortisation Amount:
 - (A) to the Class A3 Noteholders, in or towards repayment of the principal amounts outstanding on the Class A3 Notes, until the Principal Amount Outstanding on the Class A3 Notes has been reduced to zero, and
 - (B) to the Retention Noteholder, in or towards repayment of the principal amounts outstanding on the Retention Note, until the Retention Tranche A3 Principal Amount has been reduced to zero; and
 - (viii) *eighth*, to credit the Class A3 Reserve Ledger with all remaining amounts.
- (b) Prior to an Enforcement Event but on and following the Revolving Period End Date:
- (i) *first*, an amount in or up to the amount of any remaining Revenue Deficiency determined by the Cash Manager to pay items (a) to (h) of the Pre-Enforcement Revenue Priority of Payments following the application of the Liquidity Reserve Fund Drawing on that Interest Payment Date, to be applied as Available Revenue Receipts on such Interest Payment Date (with a corresponding debit to the relevant Principal Deficiency Sub-Ledger);
 - (ii) *second*, if Cumulative Default Ratio 1 is met, an amount in or up to the amount of any remaining Revenue Deficiency determined by the Cash Manager to pay item (j) of the Pre-Enforcement Revenue Priority of Payments following the application of the Liquidity Reserve Fund Drawing on that Interest Payment Date, to be applied as Available Revenue Receipts on such Interest Payment Date (with a corresponding debit to the relevant Principal Deficiency Sub-Ledger);

- (iii) *third*, if Cumulative Default Ratio 2 is met, an amount in or up to the amount of any remaining Revenue Deficiency determined by the Cash Manager to pay item (m) of the Pre-Enforcement Revenue Priority of Payments following the application of the Liquidity Reserve Fund Drawing on that Interest Payment Date, to be applied as Available Revenue Receipts on such Interest Payment Date (with a corresponding debit to the relevant Principal Deficiency Sub-Ledger);
- (iv) *fourth*, to pay *pari passu* and on a *pro rata* basis according to the respective amounts thereof:
 - (A) the Currency Swap Provider, Sterling exchange amounts in exchange for Euro exchange amounts under the Currency Swap Agreement, with the Issuer using the Euro exchange amounts received from the Currency Swap Provider in or towards repayment of the principal amounts outstanding on the Class A1a Notes until the Principal Amount Outstanding on the Class A1a Notes has been reduced to zero,
 - (B) to the Retention Noteholder, in or towards repayment of the principal amounts outstanding on the Retention Note, until the Retention Tranche A1a Principal Amount has been reduced to zero,
 - (C) in or towards repayment of the principal amounts outstanding on the Class A1b Notes until the Principal Amount Outstanding on the Class A1b Notes has been reduced to zero, and
 - (D) to the Retention Noteholder, in or towards repayment of the principal amounts outstanding on the Retention Note, until the Retention Tranche A1b Principal Amount has been reduced to zero;
- (v) *fifth*, to pay *pari passu* and on a *pro rata* basis according to the respective amounts thereof:
 - (A) in or towards repayment of the principal amounts outstanding on the Class A2 Notes until the Principal Amount Outstanding on the Class A2 Notes has been reduced to zero, and
 - (B) to the Retention Noteholder, in or towards repayment of the principal amounts outstanding on the Retention Note, until the Retention Tranche A2 Principal Amount has been reduced to zero;
- (vi) *sixth*, to pay *pari passu* and on a *pro rata* basis according to the respective amounts thereof:
 - (A) in or towards repayment of the principal amounts outstanding on the Class A3 Notes until the Principal Amount Outstanding on the Class A3 Notes has been reduced to zero, and
 - (B) to the Retention Noteholder, in or towards repayment of the principal amounts outstanding on the Retention Note, until the Retention Tranche A3 Principal Amount has been reduced to zero;
- (vii) *seventh*, to pay *pari passu* and on a *pro rata* basis according to the respective amounts thereof:
 - (A) in or towards repayment of the principal amounts outstanding on the Class B Notes until the Principal Amount Outstanding on the Class B Notes has been reduced to zero, and
 - (B) to the Retention Noteholder, in or towards repayment of the principal amounts outstanding on the Retention Note, until the Retention Tranche B Principal Amount has been reduced to zero;

- (viii) *eighth*, to pay *pari passu* and on a *pro rata* basis according to the respective amounts thereof:
 - (A) in or towards repayment of the principal amounts outstanding on the Class C Notes until the Principal Amount Outstanding on the Class C Notes has been reduced to zero, and
 - (B) to the Retention Noteholder, in or towards repayment of the principal amounts outstanding on the Retention Note, until the Retention Tranche C Principal Amount has been reduced to zero;
- (ix) *ninth*, to pay *pari passu* and on a *pro rata* basis according to the respective amounts thereof:
 - (A) in or towards repayment of the principal amounts outstanding on the Subordinated Note until the Principal Amount Outstanding on the Subordinated Note has been reduced to zero, and
 - (B) to the Retention Noteholder, in or towards repayment of the principal amounts outstanding on the Retention Note, until the Retention Tranche SN Principal Amount has been reduced to zero; and
- (x) *tenth*, to pay any Deferred Consideration in accordance with the Mortgage Sale Agreement in respect of the Loans sold to the Issuer from time to time as follows:
 - (A) the product of the Retention Tranche Deferred Consideration Payment Percentage and such Deferred Consideration to the Retention Noteholder in respect of the portion of the Retention Note comprised by Retention Tranche Deferred Consideration, and
 - (B) all remaining amounts to the Seller.

Therefore, on any Interest Payment Date during the Revolving Period, all excess Available Principal Receipts available to the Issuer after the payment of the Maximum Class A3 Amortisation Amount and amounts paid to the Retention Noteholder towards item (a)(vii) of the Pre-Enforcement Principal Priority of Payments on that Interest Payment Date, will be reserved as the Class A3 Reserve Amount for the following Interest Period. At the end of that following Interest Period, any residual Class A3 Reserve Amount standing to the credit of the Class A3 Reserve Ledger will be applied under limb (a) of the definition of Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments.

The effect of the arrangement set out in the preceding paragraph is to allow the Issuer to reserve Available Principal Receipts in excess of the Maximum Class A3 Amortisation Amount and amounts paid to the Retention Noteholder applicable on an Interest Payment Date (which would otherwise have been used by the Issuer to redeem the Class A3 Notes and the Retention Note on that Interest Payment Date) for a further Interest Period, during which time the Issuer may apply such reserve amount to fund: (i) Further Advance Purchase Price amounts, (ii) the requisite reserve amount for the Issuer to repay the Class A1a Notes and the Retention Note on the following Interest Payment Date down to the applicable Class A1a Target Amortisation Amount or Retention Tranche A1a Target Amortisation Amount (as applicable) for that Interest Payment Date pursuant to items (a)(v)(A) and (a)(v)(B), as applicable, of the Pre-Enforcement Principal Priority of Payments (such amount to be reserved on the Principal Ledger to be applied as Available Principal Receipts), (iii) the requisite reserve amount for the Issuer to repay the Class A1b Notes and the Retention Note on the following Interest Payment Date down to the applicable Class A1b Target Amortisation Amount or Retention Tranche A1b Target Amortisation Amount (as applicable) for that Interest Payment Date pursuant to items (a)(v)(C) and (a)(v)(D), as applicable, of the Pre-Enforcement Principal Priority of Payments (such amount to be reserved on the Principal Ledger to be applied as Available Principal Receipts), (iv) the requisite reserve amount for the Issuer to repay the Class A2 Notes and the Retention Note on the following Interest Payment Date down to the applicable Class A2 Target Amortisation Amount or Retention Tranche A2 Target Amortisation Amount (as applicable) for that Interest Payment Date pursuant to items (a)(v)(E) and (a)(v)(F), as applicable, of the Pre-Enforcement Principal Priority of Payments (such amount to be reserved on the Principal Ledger to be applied as Available Principal Receipts), and (v) New Portfolio Purchase Price amounts. To the extent that there are reserve amounts not so utilised by the Issuer at the end of that Interest Period, such remaining amount will be applied in accordance with the Pre-Enforcement Principal Priority of Payments on the immediately following Interest Payment Date in full (including to redeem the Class A3 Notes and the Retention Note up to the Retention Tranche A3 Principal Amount).

Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer

Following the service of a Note Acceleration Notice by the Note Trustee (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) will apply all monies standing to the credit of the Bank Accounts and all receipts (however characterised or realised) received by the Issuer and/or the Security Trustee or a Receiver (whether of principal or interest or otherwise, but excluding:

- (a) amounts representing any Excess Swap Collateral which shall be returned directly to the relevant Swap Provider under the relevant Swap Agreement;
- (b) any Swap Collateral (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the relevant Swap Agreement, to reduce the amount that would otherwise be payable by the relevant Swap Provider to the Issuer on early termination of the relevant Swap under the relevant Swap Agreement) which shall be returned directly to the relevant Swap Provider to, in the event that an Early Termination Date (as defined in the relevant Swap Agreement) has been designated, pay any early termination amount payable by the Issuer to the relevant Swap Provider in accordance with the terms of the relevant Swap Agreement;
- (c) any Swap Tax Credits which shall be returned directly to the relevant Swap Provider; and
- (d) any Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to a Swap Provider) which shall be paid directly to the relevant Swap Provider),

in the following order of priority (and, in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full) (the **Post-Enforcement Priority of Payments** and, together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments, the **Priorities of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - a. any remuneration, fees, costs, charges, liabilities, expenses, indemnity payments and all other amounts then due and payable to the Note Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein, and
 - b. any remuneration, fees, costs, charges, liabilities, expenses, indemnity payments and all other amounts then due and payable to the Security Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any remuneration, fees, costs, charges, liabilities, expenses, indemnity payments and all other amounts then due and payable to the Paying Agents, the Agent Bank, the Registrar and the Corporate Services Provider under the provisions of the Agency Agreement or the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (m) below);

- (d) *fourth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- a. any remuneration, fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Servicer under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein,
 - b. any remuneration, fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein,
 - c. any remuneration, fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Swap Collateral Account Bank(s) under the provisions of the Swap Collateral Account Bank Agreement(s) together with (if payable) VAT thereon as provided therein,
 - d. any remuneration, fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Back-Up Facilitator under the provisions of the Servicing Agreement and the Cash Management Agreement respectively, together with (if payable) VAT thereon as provided therein, and
 - e. any remuneration, fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Issuer Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein;
- (e) *fifth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- a. any amounts due and payable to an Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement including any termination payment due and payable by the Issuer but excluding, where applicable, any Interest Rate Swap Excluded Termination Amount, and
 - b. any amounts due and payable to the Currency Swap Provider in respect of the Currency Swap Agreement including any termination payment due and payable by the Issuer but excluding, where applicable, any Currency Swap Excluded Termination Amount;
- (f) *sixth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- a. all amounts of interest due and payable or accrued (if any) but unpaid in respect of the Class A1a Notes,
 - b. all amounts of interest due and payable (if any) but unpaid in respect of the Retention Note comprising the Relevant Retention Tranche A1a Interest Amount,
 - c. all amounts of interest due and payable or accrued (if any) but unpaid in respect of the Class A1b Notes,
 - d. all amounts of interest due and payable (if any) but unpaid in respect of the Retention Note comprising the Relevant Retention Tranche A1b Interest Amount,
 - e. all amounts of interest due and payable or accrued (if any) but unpaid in respect of the Class A2 Notes,
 - f. all amounts of interest due and payable (if any) but unpaid in respect of the Retention Note comprising the Relevant Retention Tranche A2 Interest Amount,
 - g. all amounts of interest due and payable or accrued (if any) but unpaid in respect of the Class A3 Notes, and

- h. all amounts of interest due and payable (if any) but unpaid in respect of the Retention Note comprising the Relevant Retention Tranche A3 Interest Amount;
- (g) *seventh*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- a. all amounts of principal due and payable on the Class A1a Notes to the Class A1a Noteholders until the Principal Amount Outstanding on the Class A1a Notes,
 - b. all amounts of principal due and payable on the Retention Note to the Retention Noteholder until the Retention Tranche A1a Principal Amount has been reduced to zero,
 - c. all amounts of principal due and payable on the Class A1b Notes to the Class A1b Noteholders until the Principal Amount Outstanding on the Class A1b Notes,
 - d. all amounts of principal due and payable on the Retention Note to the Retention Noteholder until the Retention Tranche A1b Principal Amount has been reduced to zero,
 - e. all amounts of principal due and payable on the Class A2 Notes to the Class A2 Noteholders until the Principal Amount Outstanding on the Class A2 Notes,
 - f. all amounts of principal due and payable on the Retention Note to the Retention Noteholder until the Retention Tranche A2 Principal Amount has been reduced to zero,
 - g. all amounts of principal due and payable on the Class A3 Notes to the Class A3 Noteholders until the Principal Amount Outstanding on the Class A3 Notes, and
 - h. all amounts of principal due and payable on the Retention Note to the Retention Noteholder until the Retention Tranche A3 Principal Amount has been reduced to zero;
- (h) *eighth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- a. all amounts of interest due and payable or accrued (if any) but unpaid and any capitalised interest and amounts of principal due on the Class B Notes to the Class B Noteholders, and
 - b. (1) all amounts of interest due and payable (if any) but unpaid in respect of the Retention Tranche Comprising the Retention Tranche B Interest Amount; and (2) all amounts of principal due and payable on the Retention Note to the Retention Noteholder until the Retention Tranche B Principal Amount has been reduced to zero;
- (i) *ninth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- a. all amounts of interest due and payable or accrued (if any) but unpaid and any capitalised interest and amounts of principal due on the Class C Notes to the Class C Noteholders, and
 - b. (1) all amounts of interest due and payable (if any) but unpaid in respect of the Retention Tranche Comprising the Retention Tranche C Interest Amount; and (2) all amounts of principal due and payable on the Retention Note to the Retention Noteholder until the Retention Tranche C Principal Amount has been reduced to zero;
- (j) *tenth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- a. in accordance with the terms of the Interest Rate Swap Agreement, to the Interest Rate Swap Provider in respect of any Interest Rate Swap Excluded Termination Amount, and
 - b. in accordance with the terms of the Currency Swap Agreement, to the Currency Swap Provider in respect of any Currency Swap Excluded Termination Amount;

- (k) *eleventh*, to pay *pari passu* and on a *pro rata* basis according to the respective amounts thereof:
 - a. to pay all amounts of interest due and payable or accrued (if any) but unpaid and any capitalised interest and amounts of principal due on the Subordinated Note to the Subordinated Noteholder, and
 - b. to pay all amounts of interest due and payable or accrued (if any) but unpaid and any capitalised interest and amounts of principal due on the portion of the Retention Note comprised by Retention Tranche SN;
- (l) *twelfth*, in or towards satisfaction of all amounts due, to pay *pro rata* and *pari passu* according to the respective amounts thereof, all amounts due under the Start-Up Loan and any accrued but unpaid interest to the Start-Up Loan Provider and all amounts due and any accrued but unpaid interest with respect to the Retention Tranche SUL Principal Amount to the Retention Noteholder;
- (m) *thirteenth*, to pay the Issuer the Issuer Profit Amount to be retained by the Issuer as profit in respect of the business of the Issuer; and
- (n) *fourteenth*, to pay any Deferred Consideration in accordance with the Mortgage Sale Agreement in respect of the Loans sold to the Issuer from time to time as follows:
 - a. the product of the Retention Tranche Deferred Consideration Payment Percentage and such Deferred Consideration to the Retention Noteholder in respect of the portion of the Retention Note comprised by Retention Tranche Deferred Consideration, and
 - b. all remaining amounts to the Seller.

DESCRIPTION OF THE NOTES

General

The Notes of each Class (other than the Subordinated Note and the Retention Note) will be represented by either a Rule 144A Global Note or a Reg S Global Note, as applicable. Notes initially sold within the United States to persons who are “qualified institutional buyers” as defined in, and in reliance on, Rule 144A (the **Rule 144A Notes**) will be represented by a Rule 144A Global Note and Notes initially sold outside the United States to non-U.S. persons in reliance on Regulation S (the **Reg S Notes**) will be represented by a Reg S Global Note. Beneficial interests in a Rule 144A Global Note and a Reg S Global Note may only be held through Euroclear or Clearstream, Luxembourg or their participants at any time.

The Rule 144A Global Notes and the Reg S Global Notes will be held under the New Safekeeping Structure for Global Notes (the **NSS**) and will be deposited with a Common Safekeeper for Euroclear and Clearstream, Luxembourg and registered in the name of the Common Safekeeper (or a nominee thereof). Neither the Subordinated Note nor the Retention Note will be cleared (see “—*Subordinated Note*” and “—*Retention Note*” below).

The Notes held through Euroclear or Clearstream, Luxembourg will be registered in the name of the Common Safekeeper or a nominee of the Common Safekeeper. Upon confirmation by the Common Safekeeper that it has custody of the Global Notes being held through it, the Common Safekeeper will record Book-Entry Interests in the related Global Notes.

Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg (**Participants**) or persons that hold interests in the Book-Entry Interests through Participants (**Indirect Participants**), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear or Clearstream, Luxembourg will credit the Participants’ accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

Beneficial interests in a Rule 144A Global Note may only be held by persons who are QIBs holding their interests for their own account or for the account of another QIB. By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Rule 144A Global Note (see “*Transfer Restrictions*”).

So long as the Common Safekeeper (or its nominee) is the registered holder of the related Global Notes underlying the related Book-Entry Interests, the Common Safekeeper (or its nominee) will be considered the sole Noteholder of such Global Notes for all purposes under the Trust Deed. Except as set forth under “—*Issuance of Definitive Notes*” below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See “—*Action in Respect of the Global Notes and the Book-Entry Interests*” below. Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg and, if applicable, their Participants or Indirect Participants, as the case may be.

In the case of the Reg S Global Notes and the Rule 144A Global Notes, unless and until Book-Entry Interests are exchanged for Definitive Notes, the Reg S Global Notes and the Rule 144A Global Notes held by the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper or by the Common Safekeeper to a successor of the Common Safekeeper.

For so long as the Notes are represented by Global Notes and the Clearing Systems so permit, the Notes will be tradable only in the minimum authorised denomination of £100,000 and integral multiples of £1,000 in excess thereof (or, with respect to the Class A1a Notes, €100,000 plus higher integral multiples of €1,000) (an **Authorised Denomination**).

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 Notes, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear or Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Trading

Secondary market sales of Book-Entry Interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of Book-Entry Interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Sterling denominated bonds and Euro denominated bonds.

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 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.

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg pursuant to customary procedures established by each respective system and its Participants. All transfers of the Notes must comply with the transfer restrictions set forth under "*Transfer Restrictions*" herein.

Payments on Global Notes

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Euros (in respect of the Class A1a Notes) and in Sterling (in respect of the Class A1b Notes, the Class A2 Notes, the Class A3 Notes, the Class B Notes and the Class C Notes) by or to the order of the Principal Paying Agent on behalf of the Issuer to the Common Safekeeper or its nominee. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg for its share of any amounts paid by or on behalf of the Issuer to the Common Safekeeper or its 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 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 Clearstream, Luxembourg after receipt of any payment from the related 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, Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for purposes of making payments to the Noteholders. 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 registered form and will be the responsibility of such

Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Record Date means (i) for so long as the Notes are represented by Global Notes, one business day (being for this purpose a day on which the relevant Clearing System is open for business) prior to each Payment Date, and (ii) if the Notes are represented by Definitive Notes, 15 days prior to each Payment Date.

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 any 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 Common Safekeeper or its nominee and, upon final payment, the holder of such Global Note will surrender such Global Note 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. Any redemptions of a Global Note in part will be made by Euroclear or Clearstream, Luxembourg on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg deems fair and appropriate).

Cancellation

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

Subordinated Note

The Subordinated Note will be in dematerialised registered form and no certificate evidencing entitlement to the Subordinated Note will be issued. The Issuer will maintain a register, to be kept on the Issuer's behalf by the Dematerialised Note Registrar, in which the Subordinated Note will be registered in the name of the holder of such Subordinated Note. Transfers of the Subordinated Note may be made only through the register maintained by the Issuer and are subject to the transfer restrictions set out in Condition 2.2 (*Title*).

As at any date of determination, **Subordinated Note Principal Amount Outstanding** is equal to the total principal amount of all drawings under the Subordinated Note on and since the Closing Date less the aggregate amount of all principal payments in respect of such Subordinated Note which have been made since the Closing Date and not later than such date of determination (see Condition 17.1 (*Principal Amount Outstanding*)).

Retention Note

The Retention Note will be in dematerialised registered form and no certificate evidencing entitlement to the Retention Note will be issued. The Issuer will maintain a register, to be kept on the Issuer's behalf by the Dematerialised Note Registrar, in which the Retention Note will be registered in the name of the holder of such Retention Note. Transfers of the Retention Note may be made only through the register maintained by the Issuer and are subject to the transfer restrictions set out in Condition 2.2 (*Title*).

As at any date of determination, **Retention Note Principal Amount Outstanding** is equal to the total principal amount of all drawings under the Retention Note on and since the Closing Date less the aggregate amount of all principal payments in respect of such Retention Note which have been made since the Closing Date and not later than such date of determination (see Condition 17.1 (*Principal Amount Outstanding*)).

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 pursuant to customary procedures established by each respective system and its Participants. See “—*General*” above.

Each Rule 144A Global Note will bear a legend substantially identical to that appearing under “*Transfer Restrictions*”, and the holder of any Rule 144A Global Note or any Book-Entry Interest in such Rule 144A Global Note will undertake that it will not transfer such Notes except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Note of one Class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Note of the same Class whether before or after the expiration of the period ending 40 days after the later of the commencement of the offering of the Notes and the closing of the offering of the Notes (the **Distribution Compliance Period**), only upon receipt by the Issuer of a written certification from the transferor to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act (if available).

Each Reg S Global Note will bear a legend substantially identical to that appearing under “*Transfer Restrictions*”. Prior to the expiration of the Distribution Compliance Period, a Book-Entry Interest in a Reg S Global Note of one Class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note of the same Class only upon receipt by the Issuer of written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is a QIB within the meaning of Rule 144A, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest in a Reg S Global Note of one Class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note of the same Class will, upon transfer, cease to be represented by a Book-Entry Interest in such Reg S Global Note and will become represented by a Book-Entry Interest in such Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Rule 144A Global Note for as long as it remains such a Book-Entry Interest. Any Book-Entry Interest in a Rule 144A Global Note of one Class that is transferred to a person who takes delivery in the form of a Book-Entry

Interest in the Reg S Global Note of the same Class will, upon transfer, cease to be represented by a Book-Entry Interest in such Rule 144A Global Note and will become represented by a Book-Entry Interest in such Reg S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Reg S Global Note as long as it remains such a Book-Entry Interest.

Pre-issue Trades Settlement

It is expected that delivery of the Notes will be made against payment therefor on the Closing Date, which is expected to be the fifth business day following the date of pricing (this settlement cycle being referred to as **T+5**). Under Rule 15c6-I under the Exchange Act, trades in the United States secondary market generally are required to settle within three Business Days (**T+3**), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding Business Days until three days prior to the Closing Date will be required, by virtue of the fact the Notes initially will settle T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Closing Date should consult their own adviser.

Issuance of Definitive Notes

Holder of Book-Entry Interests in the Global Notes will be entitled to receive Definitive Notes in registered form (**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 and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any 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 form.

Any Definitive Notes issued in exchange for Book-Entry Interests in a 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. 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 Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will not be entitled to exchange such Definitive Notes for Book-Entry Interests in a Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "Transfer Restrictions" in this Prospectus; provided that no transfer shall be registered for a period of 15 days immediately preceding any Payment Date, or, as the case may be, the due date for redemption. Definitive Notes will only be issued in permitted integral multiples of the Minimum Denomination or for any amount in excess thereof. A Noteholder who holds a principal amount of less than the Minimum Denomination may not receive a Definitive Note in respect of such holding (should Definitive Notes be issued) and would need to purchase a principal amount of Notes such that its holding amounts to the Minimum Denomination.

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 the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes, 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 Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, 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 Notes in accordance with any instructions set forth in such request. Euroclear and Clearstream, Luxembourg are expected to follow the procedures described under "*—General*", 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.

Reports

So long as the Notes are listed on the Official List and traded on the regulated market of the London Stock Exchange and the rules of the London Stock Exchange so permit, all notices relating to the Class A Notes, the Class B Notes and the Class C Notes shall be published by delivery to the applicable clearing system. Any such notice shall be deemed to have been given to all Class A Noteholders, Class B Noteholders and Class C Noteholders, as applicable, on the same day that such notice was delivered to the applicable Clearing System. Notices relating to the Notes may also be published on the announcements section of the website of the London Stock Exchange, on the applicable page of the Reuters screen, Bloomberg screen or any other medium for electronic display of data as may be approved by the Note Trustee. See also Condition 15 (Notice to Noteholders) of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes (the **Conditions**), substantially as they appear in the Trust Deed and as they apply to the Notes in global form and the Notes in definitive form (if any) issued in exchange for the Global Note(s) and which will be endorsed on such Notes in definitive form, as applicable. These terms and conditions are subject to the detailed provisions of the Trust Deed, the Deed of Charge and the other Transaction Documents (as defined below).

1. GENERAL

The €150,000,000 Class A1a asset backed floating rate notes due April 2063 (the **Class A1a Notes**), the £834,400,000 Class A1b asset backed floating rate notes due April 2063 (the **Class A1b Notes**), the £450,000,000 Class A2 asset backed floating rate notes due April 2063 (the **Class A2 Notes**), the £1,450,000,000 Class A3 asset backed floating rate notes due April 2063 (the **Class A3 Notes** and, together with the Class A1a Notes, the Class A1b Notes and the Class A2 Notes, the **Class A Notes**), the £79,600,000 class B asset backed floating rate notes due April 2063 (the **Class B Notes**), the £47,800,000 class C asset backed floating rate notes due April 2063 (the **Class C Notes**) and, the Class C Notes together with the Class A Notes and the Class B Notes, the **Rated Notes**, the subordinated note due April 2063 (the **Subordinated Note** in an initial principal amount of £207,000,000 and the retention note due April 2063 (the **Retention Note** in an initial principal amount of £170,656,000 and the Retention Note and the Subordinated Note together with the Rated Notes, the **Notes**), in each case of Duncan Funding 2016-1 PLC (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on or about 27 May 2016 (the **Closing Date**) and made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited as trustee for the Noteholders (in such capacity, the **Note Trustee**). Any reference in these Conditions to a **Class** of Notes or of Noteholders shall be a reference to the Class A1a Notes, the Class A1b Notes, the Class A2 Notes, the Class A3 Notes, the Class B Notes, the Class C Notes, the Subordinated Note or the Retention Note, as the case may be, or to the respective holders thereof, in each case except where the context otherwise requires.

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, *inter alios*, the Issuer and Citicorp Trustee Company Limited as trustee for the Secured Creditors (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated on the Closing Date and made between the Issuer, the Note Trustee, Citibank, N.A., London Branch, as principal paying agent (in such capacity, the **Principal Paying Agent**, and, together with any further or other paying agent appointed under the Agency Agreement, the **Paying Agents**), TSB Bank PLC, as Dematerialised Note Registrar (in such capacity, the **Dematerialised Note Registrar**), Citibank, N.A., London Branch, as registrar (in such capacity, the **Registrar**) and Citibank, N.A., London Branch, as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and the master definitions and construction schedule entered into by, *inter alios*, the Issuer, the Note Trustee and the Security Trustee on the Closing Date (the **Master Definitions and Construction Schedule**) and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection and collection 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.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Class A Notes, Class B Notes and Class C Notes initially offered and sold:

- (a) outside the United States to non-U.S. persons in accordance with Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended (the **Securities Act**) are represented by a global note (each, a **Reg S Global Note**) in registered form without coupons attached; and
- (b) within the United States to persons who are “qualified institutional buyers” as defined in, and in accordance with, Rule 144A under the Securities Act (**Rule 144A**) in transactions made in accordance with Rule 144A, are represented by a Rule 144A Global Note (each, a **Rule 144A Global Note**) and, together with each Regulation S Global Note, the **Global Notes**) in registered form without coupons attached.

Each Rated Note will be issued in the following aggregate principal amount on issue:

- (a) €150,000,000 for the Class A1a Notes;
- (b) £834,400,000 for the Class A1b Notes;
- (c) £450,000,000 for the Class A2 Notes;
- (d) £1,450,000,000 for the Class A3 Notes;
- (e) £79,600,000 for the Class B Notes; and
- (f) £47,800,000 for the Class C Notes.

Each Global Note has been deposited on behalf of the subscribers of the relevant Class of Notes with a common safekeeper (the **Common Safekeeper**) for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and Euroclear Bank S.A/N.V. (**Euroclear** and, together with Clearstream, Luxembourg, the **Clearing Systems**) on the Closing Date.

Upon deposit of the Global Notes, the Clearing Systems credited each subscriber of Class A Notes, Class B Notes and Class C Notes with the principal amount of Notes of the relevant Class equal to the aggregate principal amount thereof for which it had subscribed and paid.

Interests in a Global Note will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

The Subordinated Note and the Retention Note will be in dematerialised registered form.

For so long as the Class A Notes, Class B Notes and Class C Notes are represented by a Global Note and the Clearing Systems so permit, the Class A Notes, Class B Notes and Class C Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000 (or, with respect to the Class A1a Notes, €100,000 plus higher integral multiples of €1,000), notwithstanding that no Definitive Notes (as defined below) will be issued with a denomination above £199,000 or €199,000, as applicable.

A Global Note will be exchanged for Class A Notes, Class B Notes and Class C Notes in definitive registered form (such exchanged Global Note, the **Definitive Notes**) (free of charge to the persons entitled to them) only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
 - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
 - (ii) announce an intention permanently to cease business (and do so cease to do business), and

in either case, no alternative clearing system satisfactory to the Note Trustee is available; or

- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of any of the Rated Notes which would not be required were such Rated Notes in definitive form.

If Definitive Notes are issued in respect of Class A Notes, Class B Notes and/or Class C Notes originally represented by a Global Note, the beneficial interests represented by the relevant Global Note shall be exchanged by the Issuer for the relevant Class of Notes in definitive form. The aggregate principal amount of the Definitive Notes shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the Global Note.

Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form without coupons attached.

Definitive Notes, if issued, will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 (or, with respect to the Class A1a Notes, €100,000 plus higher integral multiples of €1,000 up to and including €199,000). No Definitive Notes will be issued with a denomination above £199,000 or €199,000, as applicable.

The Subordinated Note and the Retention Note each have a minimum denomination of £100,000 and may be issued and redeemed in integrals of £1,000. No certificate evidencing entitlement to the Retention Note or the Subordinated Note will be issued. Each of the Subordinated Note and the Retention Note will be in dematerialised registered form.

The Retention Note will be issued on the Closing Date with an initial Principal Amount Outstanding of £170,656,000. If a further funding is made in respect of any of the Retention Note, the Dematerialised Note Registrar shall record such increase in the Principal Amount Outstanding of the Retention Note in the register for the Retention Note (the **Retention Note Register**).

The Subordinated Note will be issued on the Closing Date with an initial Principal Amount Outstanding of £207,000,000. If a further funding is made in respect of any of the Subordinated Note, the Dematerialised Note Registrar shall record such increase in the Principal Amount Outstanding of the Subordinated Note in the register for the Subordinated Note (the **Dematerialised Note Register**).

References to **Notes** in these Conditions shall include the Global Notes, the Subordinated Note, the Retention Note and the Definitive Notes.

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

- (a) those Notes which have been redeemed in full and cancelled pursuant to the Conditions;
- (b) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption monies (including all interest payable thereon) have been duly paid to the Note Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relevant Noteholders in accordance with these Conditions) and remain available for payment against presentation of the relevant Notes;
- (c) those Notes which have been cancelled in accordance with Condition 7.9 (*Cancellation*) of the Notes;
- (d) those Notes which have become void or in respect of which claims have become prescribed, in each case under Condition 9 (*Prescription*) of the Notes;

- (e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes*) with respect to the Notes;
- (f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Note) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes*) with respect to the Notes; and
- (g) any Global Note to the extent that it shall have been exchanged for another Global Note in respect of the Notes of the relevant Class or for the Notes of the relevant Class in definitive form pursuant to its provisions,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Noteholders of any Class or Classes, an Extraordinary Resolution in writing or an Ordinary Resolution in writing, a Written Resolution or an Electronic Consent as envisaged by paragraph 1 of Schedule 4 to the Trust Deed and any direction or request by the holders of Notes of any Class or Classes;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clauses 10.1 and Schedule 4 to the Trust Deed and Conditions 10 (*Events of Default*), 11 (*Enforcement*) and 12.9 (*Additional Right of Modification*) of the Notes;
- (iii) any discretion, power or authority (whether contained in the Trust Deed, the Deed of Charge or vested by operation of law) which the Security Trustee and/or the Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders or any Class or Classes thereof; and
- (iv) the determination by the Note Trustee or the Security Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Noteholders or any Class or Classes thereof,

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

Subsidiary means a subsidiary as defined in section 1159 of the Companies Act 2006.

2.2 Title

Title to the Global Notes and the Definitive Notes shall pass by and upon registration of the transfer in the Register.

Title to a Subordinated Note shall only pass by and upon registration of the transfer in the Dematerialised Note Register provided that no transferee shall be registered as a new Subordinated Noteholder unless (a) the prior written consent of the Issuer and (for so long as any Class A Notes, Class B Notes and Class C Notes are outstanding) the Note Trustee has been obtained (and the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by Extraordinary Resolutions of the Class A Noteholders, Class B Noteholders and Class C Noteholders) and (b) such transferee has certified to, *inter alios*, the Dematerialised Note Registrar that it is (i) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (ii) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (iii) a Qualifying Noteholder.

Title to the Retention Note shall only pass by and upon registration of the transfer in the Retention Note Register provided that no transferee shall be registered as a new Retention Noteholder unless (a) the prior written consent of the Issuer and (for so long as any Class A Notes, Class B Notes and Class C Notes are outstanding) the Note Trustee has been obtained (and the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by Extraordinary Resolutions of the Class A Noteholders, Class B Noteholders and Class C Noteholders) and (b) such transferee has certified to, *inter alios*, the Dematerialised Note Registrar that it is (i) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (ii) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (iii) a Qualifying Noteholder. TSB Bank, in its capacity as sponsor, has covenanted that it will not transfer the Retention Note before the later of: (a) the fifth anniversary of the Closing Date and (b) the date on which the total principal balance outstanding of the Loans has been reduced to 25 per cent. of the aggregate outstanding Current Balance of the Loans at the Closing Date, but in any event no longer than the seventh anniversary of the Closing Date.

Qualifying Noteholder means:

- (a) a person which is beneficially entitled to interest in respect of the Subordinated Note and is:
 - (i) a company resident in the United Kingdom for United Kingdom tax purposes;
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of Section 19 of the Corporation Tax Act 2009 (the **CTA**)) of that company; or
 - (iii) a partnership each member of which is:
 - (A) a company resident in the United Kingdom; or
 - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account in computing its chargeable profits (for the purposes of Section 19 of the CTA) the whole of any share of a payment of interest in respect of the Notes that is attributable to it by reason of Part 17 of the CTA; or
- (b) a person which falls within any of the other descriptions in section 935 or 936 of the Income Tax Act 2007 (**ITA 2007**) and satisfies any conditions set out therein in order for the interest to be an excepted payment for the purposes of section 930 of the ITA 2007.

Noteholders means (i) the Class A1a Noteholders, the Class A1b Noteholders, the Class A2 Noteholders, the Class A3 Noteholders, the Class B Noteholders and the Class C Noteholders, (ii) the person(s) in whose name a Subordinated Note is registered in the Dematerialised Note Register and (iii) the person(s) in whose name the Retention Note is registered in the Retention Note Register.

Class A1a Noteholders means holders of the Class A1a Notes;

Class A1b Noteholders means holders of the Class A1b Notes;

Class A2 Noteholders means holders of the Class A2 Notes;

Class A3 Noteholders means holders of the Class A3 Notes;

Class B Noteholders means holders of the Class B Notes;

Class C Noteholders means holders of the Class C Notes;

Subordinated Noteholder means the holder of the Subordinated Note; and

Retention Noteholder means the holder of the Retention Note.

3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

3.1 Status and relationship between the Notes

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes will rank as to payments of principal as follows:
- (i) during the Revolving Period and prior to the service of a Note Acceleration Notice, payments of principal on the Class A1a Notes, up to the relevant Class A1a Scheduled Amortisation Amount, the Class A1b Notes, up to the relevant Class A1b Scheduled Amortisation Amount, and the Class A2 Notes, up to the relevant Class A2 Scheduled Amortisation Amount, will be made in priority to payments of principal on the Class A3 Notes as provided for in these Conditions and the Pre-Enforcement Principal Priority of Payments;
 - (ii) on and from the Revolving Period End Date but prior to the service of a Note Acceleration Notice, payments of principal on the Class A1a Notes, the Class A1b Notes and the Class A2 Notes will be made in priority to payments of principal on the Class A3 Notes, as provided for in these Conditions and the Pre-Enforcement Principal Priority of Payments; and
 - (iii) following the delivery of a Note Acceleration Notice, payments of principal on the Class A1a Notes, the Class A1b Notes, the Class A2 Notes and the Class A3 Notes will rank *pari passu* and *pro rata* as provided in these Conditions and the Post-Enforcement Priority of Payments.
- (b) The Class B Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class B Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves as to payments of principal and interest but junior to the Class A Notes as provided in these Conditions and the Transaction Documents.
- (c) The Class C Notes constitute direct, secured and (subject as provided in Condition 16 (*Subordination by Deferral*) and the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class C Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves as to payments of principal and interest but junior to the Class A Notes and Class B Notes as provided in these Conditions and the Transaction Documents.
- (d) The Subordinated Note constitutes direct, secured and (subject as provided in Condition 16 (*Subordination by Deferral*) and the limited recourse provisions in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Subordinated Note will rank junior to the Class A Notes, the Class B Notes, Class C Notes and the portion of the Retention Note comprised by the Retention Note Amortising Tranches Principal Amount, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Subordinated Noteholder will be subordinated to the interests of the Class A Noteholders, Class B Noteholders and Class C Noteholders (so long as any Class A Notes, Class B Notes and Class C Notes remain outstanding).
- (e) The Retention Note constitutes direct, secured and (subject as provided in Condition 16 (*Subordination by Deferral*) and the limited recourse provisions in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer.

The Retention Notes will rank as to payments of principal as follows:

- (i) during the Revolving Period and prior to the service of a Note Acceleration Notice, payments of principal on the portion of the Retention Note comprised by Retention Tranche A1a will rank *pro rata* and *pari passu* with payments of principal on the Class A1a Notes, up to the relevant Retention Tranche A1a Scheduled Amortisation Amount, payments of principal on the Class A1b Notes, up to the relevant Retention Tranche A1b Scheduled Amortisation Amount and payments of principal on the portion of the Retention Note comprised by Retention Tranche A2 will rank *pari passu* and *pro rata* with payments of principal on the

Class A2 Notes, up to the relevant Retention Tranche A2 Scheduled Amortisation Amount, and will be made in priority to payments of principal on the Class A3 Notes and the portion of the Retention Note comprised by Retention Tranche A3, as provided for in these Conditions and the Pre-Enforcement Principal Priority of Payments;

- (ii) on and from the Revolving Period End Date but prior to the service of a Note Acceleration Notice:
 - (A) payments of principal on the portion of the Retention Note comprised by Retention Tranche A1a will be paid *pro rata* and *pari passu* with payments of principal on the Class A1a Notes, payments of principal on the Class A1b Notes, up to the relevant Retention Tranche A1b Scheduled Amortisation Amount and payments of principal on the portion of the Retention Note comprised by Retention Tranche A2 will be paid *pro rata* and *pari passu* with payments of principal on the Class A2 Notes and will be made in priority to payments of principal on the Class A3 Notes and the portion of the Retention Note comprised by Retention Tranche A3;
 - (B) payments of principal on the portion of the Retention Note comprised by Retention Tranche B will rank *pro rata* and *pari passu* with payments of principal on the Class B Notes and will be made in priority to payments of principal on the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C; and
 - (C) payments of principal on the portion of the Retention Note comprised by Retention Tranche C will rank *pro rata* and *pari passu* with payments of principal on the Class C Notes and will be made in priority to payments of principal on the Subordinated Notes and the portion of the Retention Note comprised by Retention Tranche SN,

each as provided for in these Conditions and the Pre-Enforcement Principal Priority of Payments; and

following the delivery of a Note Acceleration Notice, payments of principal (i) on the portion of the Retention Note comprised by Retention Tranche A will rank *pari passu* and *pro rata* with payments of principal on the Class A1a Notes, the Class A1b Notes, the Class A2 Notes and the Class A3 Notes, (ii) payments of principal on the portion of the Retention Note comprised by Retention Tranche B will rank *pro rata* and *pari passu* with payments of principal on the Class B Notes and will be made in priority to payments of principal on the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C, and (iii) payments of principal on the portion of the Retention Note comprised by Retention Tranche C will rank *pro rata* and *pari passu* with payments of principal on the Class C Notes and will be made in priority to payments of principal on the Subordinated Notes and the portion of the Retention Note comprised by Retention Tranche SN, in each case, as provided in these Conditions and the Post-Enforcement Priority of Payments.

- (f) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders, Class B Noteholders and Class C Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard only to:
 - (i) the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of:
 - (A) the Class A Noteholders; and
 - (B) the Class B Noteholders and/or the Class C Noteholders and/or the Subordinated Noteholder and/or the Retention Noteholder; or
 - (ii) subject to paragraph (i) above, the interests of the Class B Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of:
 - (A) the Class B Noteholders; and
 - (B) the Class C Noteholders and/or the Subordinated Noteholder and/or the Retention Noteholder; or

(iii) subject to paragraphs (i) and (ii) above, the interests of the Class C Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of:

(A) the Class C Noteholders; and

(B) the Subordinated Noteholder and/or the Retention Noteholder.

As long as the Notes are outstanding but subject to Condition 12.8 (*Modification*) and 12.9 (*Additional Right of Modification*), the Security Trustee shall not have regard to the interests of any Secured Creditors other than the Noteholders.

(g) Where, in the sole opinion of the Note Trustee, the interests of the Noteholders of a Class of the Class A Notes which are outstanding conflict with the interests of the Noteholders of another Class of the Class A Notes which are outstanding, a written direction to, or an Extraordinary Resolution directing, the Note Trustee to take any action must be given in separate written directions of each such Class of the Class A Notes or passed at each of the separate meetings of the holders of each such Class of Class A Notes or given in a separate Written Resolution of each such Class of the Class A Notes. A resolution may only be passed at a single meeting of the Noteholders of each Class or given in a single Written Resolution and a written direction may only be given in a single written direction of all of the Classes of the Class A Notes if the Note Trustee is, in its absolute discretion, satisfied that there is no conflict between them.

(h) The Trust Deed and the Deed of Charge contain provisions limiting the powers of the Class B Noteholders and/or the Class C Noteholders and/or the Subordinated Noteholder and/or the Retention Noteholder to request or direct the Note Trustee or the Security Trustee to take any action according to the effect thereof on the interests of the Class A Noteholders and also, in the case of a request or direction or an Extraordinary Resolution of the Class C Noteholders, the Class B Noteholders and/or the Subordinated Noteholder.

(i) Except in certain circumstances set out in the Trust Deed and the Deed of Charge, there is no such limitation on the powers of the Class A Noteholders, or, by reference to the effect on the interests of the Class C Noteholders, the Class B Noteholders, or, by reference to the effect on the interests of the Retention Noteholder, the Class C Noteholders, or, by reference to the effect on the interests of the Subordinated Noteholder, the Retention Noteholder, the exercise of which will be binding on the Class B Noteholders and/or the Class C Noteholders and/or the Subordinated Noteholder and/or the Retention Noteholder, irrespective of the effect thereof on their interests.

(j) For the purpose of these Conditions, **Controlling Class** means:

(i) the Class A Notes so long as any Class A Notes are outstanding (with the holders of the Class A1a Notes, the Class A1b Notes, the Class A2 Notes and the Class A3 Notes acting or voting together as a single Class of Noteholders), subject as provided in Condition 3.1(f);

(ii) after the Class A Notes have been repaid in full, the Class B Notes so long as any Class B Notes are outstanding;

(iii) after the Class B Notes have been repaid in full, the Class C Notes so long as any Class C Notes are outstanding; and

(iv) after the Class C Notes have been repaid in full, the Subordinated Note.

For the purposes of determining the Controlling Class, the Retention Noteholder shall be deemed to be a Noteholder of each Class of Notes based on the Principal Amount Outstanding of the portion of the Retention Note comprised by the relevant Retention Note Tranche corresponding to such Class of Notes; provided that, as set out in Condition 2.1, those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller and any Subsidiary of the Seller, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of any Relevant Persons where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons as set out in Condition 2.1

3.2 **Security**

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. **COVENANTS**

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (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:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (d) **Equitable Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the 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 or give any guarantee in respect of any financial indebtedness or of any other **obligation** of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Bank Accounts (including the Swap Collateral Accounts), unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **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;

- (k) **Corporation tax:** prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006;
- (l) **Subordinated Note:** so long as the Class A Notes, Class B Notes and Class C Notes are outstanding, allow the Principal Amount Outstanding of the Subordinated Note to be less than 5 per cent. of the aggregate Current Balance of the Loans as at the Closing Date; or
- (m) **VAT:** apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the VAT (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal any of the same.

5. INTEREST

5.1 *Interest Accrual*

Each Rated Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Rated Note (or, in the case of the redemption of part only of a Class A Note, Class B Note or Class C Note, that part only of such Rated Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Rated Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.2 *Interest Payment Dates*

The first Interest Payment Date will be the Interest Payment Date falling on 17 October 2016.

Interest will be payable quarterly in arrear on the 17th day of January, April, July and October of each year or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an **Interest Payment Date**), for all Classes of the Notes.

In these Conditions, **Interest Period** shall mean the period from (and including) an Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall mean the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date.

5.3 *Rate of Interest*

- (a) The rate of interest payable from time to time in respect of the Notes (each a **Rate of Interest** and together the **Rates of Interest**) will be determined on the basis of the following provisions:
 - (i) with respect to the Rated Notes (other than the Class A1a Notes),
 - (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 three-month and six-month deposits in Sterling) in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (A) the Relevant Margin and (B) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Sterling deposits (rounded upwards, if necessary, to five decimal places)); and
 - (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 subparagraph (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 subparagraph (i)(A) shall have applied but taking account of any change in the Relevant Margin;

- (ii) with respect to the Class A1a Notes,
 - (A) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (Brussels 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 Eurozone (as defined below) office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Euro deposits (or, in respect of the first Interest Period for the Notes, the linear interpolation of EURIBOR for three-month and six-month deposits in Euros) in the Eurozone interbank market as at or about 11.00 a.m. (Brussels time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (A) the Relevant Margin and (B) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Euro 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 subparagraph (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 subparagraph (ii)(A) shall have applied but taking account of any change in the Relevant Margin;
- (iii) with respect to the Subordinated Note, the Dematerialised Note Registrar will determine the Rate of Interest in accordance with sub-clause (a)(i) above; and
- (iv) with respect to the Retention Note, the Dematerialised Note Registrar will determine the Rate of Interest in respect of each Relevant Retention Note Tranche comprising the Retention Note Principal Amount in accordance with sub-clause (a)(i) above.

There will be no maximum Rate of Interest. Where the Rate of Interest applicable to the Notes for any Interest Period is determined to be less than zero, the Rate of Interest for such Interest Period shall be zero.

- (b) The margin on each of the Rated Notes and the Retention Note changes from (and including) the Interest Payment Date falling on April 2021 (the **Step-Up Date**).

- (c) In these Conditions (except where otherwise defined), the expression:
- (i) **Business Day** means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;
 - (ii) **EURIBOR** means the Euro Interbank Offered Rate;
 - (iii) **Eurozone** means the region comprised of the member states of the European Union that have adopted the single currency in accordance with the Treaty on the Functioning of the European Union (signed in Rome on 25th March 1957) as amended;
 - (iv) **Interest Determination Date** in relation to (i) the Notes (other than the Class A1a Notes) means the first day of the relevant Interest Period and (ii) the Class A1a Notes means two TARGET2 Business Days prior to the first day of the relevant Interest Period;
 - (v) **LIBOR** means the London Interbank Offered Rate;
 - (vi) **Reference Banks** means the principal London office of each of five major banks engaged in the London interbank market selected by the Agent Bank in consultation with the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
 - (vii) **Relevant Margin** means in respect of each Class of the Notes the following per cent. per annum:
 - (A) in respect of the Class A1a Notes, prior to the Step-Up Date 0.40 per cent. per annum (the **Class A1a Margin**) and from the Step-Up Date, the Class A1a Margin plus 0.80 per cent. per annum;
 - (B) in respect of the Class A1b Notes, prior to the Step-Up Date 0.77 per cent. per annum (the **Class A1b Margin**) and from the Step-Up Date, the Class A1b Margin plus 1.54 per cent. per annum;
 - (C) in respect of the Class A2 Notes, prior to the Step-Up Date 0.79 per cent. per annum (the **Class A2 Margin**) and from the Step-Up Date, the Class A2 Margin plus 1.58 per cent. per annum;
 - (D) in respect of the Class A3 Notes, prior to the Step-Up Date 0.82 per cent. per annum (the **Class A3 Margin**) and from the Step-Up Date, the Class A3 Margin plus 1.64 per cent. per annum;
 - (E) in respect of the Class B Notes, prior to the Step-Up Date 1.80 per cent. per annum (the **Class B Margin**) and from the Step-Up Date, the Class B Margin plus 2.80 per cent. per annum;
 - (F) in respect of the Class C Notes, prior to the Step-Up Date 2.50 per cent. per annum (the **Class C Margin**) and from the Step-Up Date, the Class C Margin plus 3.50 per cent. per annum;
 - (G) in respect of the Subordinated Note, 0.00 per cent. per annum; and
 - (H) in respect of the Retention Note,
 - (1) in respect of the Retention Tranche A1a Principal Amount comprising part of the Retention Note Principal Amount and for purposes of calculating the Relevant Retention Tranche A1a Interest Amount, the spread payable by the Issuer under the Currency Swap with respect to the Class A1a Notes (the **Retention Tranche A1a Margin**);

- (2) in respect of the Retention Tranche A1b Principal Amount comprising part of the Retention Note Principal Amount and for purposes of calculating the Relevant Retention Tranche A1b Interest Amount, the Relevant Margin in respect of the Class A1b Notes (the **Retention Tranche A1b Margin**);
 - (3) in respect of the Retention Tranche A2 Principal Amount comprising part of the Retention Note Principal Amount and for purposes of calculating the Relevant Retention Tranche A2 Interest Amount, the Relevant Margin in respect of the Class A2 Notes (the **Retention Tranche A2 Margin**);
 - (4) in respect of the Retention Tranche A3 Principal Amount comprising part of the Retention Note Principal Amount and for purposes of calculating the Relevant Retention Tranche A3 Interest Amount, the Relevant Margin in respect of the Class A3 Notes (the **Retention Tranche A3 Margin**);
 - (5) in respect of the Retention Tranche B Principal Amount comprising part of the Retention Note Principal Amount and for purposes of calculating the Relevant Retention Tranche B Interest Amount, the Relevant Margin in respect of the Class B Notes (the **Retention Tranche B Margin**);
 - (6) in respect of the Retention Tranche C Principal Amount comprising part of the Retention Note Principal Amount and for purposes of calculating the Relevant Retention Tranche C Interest Amount, the Relevant Margin in respect of the Class C Notes (the **Retention Tranche C Margin**);
 - (7) in respect of the Retention Tranche SN Principal Amount comprising part of the Retention Note Principal Amount and for purposes of calculating the Relevant Retention Tranche SN Interest Amount, the Relevant Margin in respect of the Subordinated Note (the **Retention Tranche SN Margin**); and
 - (8) in respect of the Retention Tranche SUL Principal Amount comprising part of the Retention Note Principal Amount and for purposes of calculating the Relevant Retention Tranche SUL Interest Amount, the rate of interest on the Start-Up Loan (the **Retention Tranche SUL Margin**);
- (viii) **Relevant Retention Note Margin** means the Retention Tranche A1a Margin in respect of the Retention Tranche A1a Principal Amount, the Retention Tranche A1b Margin in respect of the Retention Tranche A1b Principal Amount, the Retention Tranche A2 Margin in respect of the Retention Tranche A2 Principal Amount, the Retention Tranche A3 Margin in respect of the Retention Tranche A3 Principal Amount, the Retention Tranche B Margin in respect of the Retention Tranche B Principal Amount, the Retention Tranche C Margin in respect of the Retention Tranche C Principal Amount, the Retention Tranche SN Margin in respect of the Retention Tranche SN Principal Amount and the Retention Tranche SUL Margin in respect of the Retention Tranche SN Principal Amount (as applicable);
- (ix) **Retention Tranche Principal Amount** means the Retention Tranche A1a Principal Amount, the Retention Tranche A1b Principal Amount, the Retention Tranche A2 Principal Amount, the Retention Tranche A3 Principal Amount, the Retention Tranche B Principal Amount, the Retention Tranche C Principal Amount, and the Retention Tranche SN Principal Amount and the Retention Tranche SUL Principal Amount (as applicable);
- (x) **Retention Tranche A1a Principal Amount** means as of any date of determination, £6,083,000 less the aggregate amount of all principal payments in respect of the Retention Note which have been made under item (a)(v)(B) and item (b)(iv)(B) of the Pre-Enforcement Principal Priority of Payments;
- (xi) **Retention Tranche A1b Principal Amount** means as of any date of determination, £43,916,000 less the aggregate amount of all principal payments in respect of the Retention Note which have been made under item (a)(v)(D) and item (b)(iv)(D) of the Pre-Enforcement Principal Priority of Payments;

- (xii) **Retention Tranche A2 Principal Amount** means as of any date of determination, £23,685,000 less the aggregate amount of all principal payments in respect of the Retention Note which have been made under item (a)(v)(F) and item (b)(v)(B) of the Pre-Enforcement Principal Priority of Payments;
- (xiii) **Retention Tranche A3 Principal Amount** means as of any date of determination, £76,316,000 less the aggregate amount of all principal payments in respect of the Retention Note which have been made under item (a)(vii)(B) and item (b)(vi)(B) of the Pre-Enforcement Principal Priority of Payments;
- (xiv) **Retention Tranche B Principal Amount** means as of any date of determination, £4,190,000 less the aggregate amount of all principal payments in respect of the Retention Note which have been made under item (b)(vii)(B) of the Pre-Enforcement Principal Priority of Payments;
- (xv) **Retention Tranche C Principal Amount** means as of any date of determination, £2,516,000 less the aggregate amount of all principal payments in respect of the Retention Note which have been made under item (b)(viii)(B) of the Pre-Enforcement Principal Priority of Payments;
- (xvi) **Retention Tranche SN Principal Amount** means as of any date of determination, £10,895,000 less the aggregate amount of all principal payments in respect of the Retention Note which have been made under item (b)(ix)(B) of the Pre-Enforcement Principal Priority of Payments;
- (xvii) **Retention Tranche SUL Principal Amount** means as of any date of determination, £3,055,000 less the aggregate amount of all principal payments in respect of the Retention Note which have been made under item (r) of the Pre-Enforcement Revenue Priority of Payments;
- (xviii) **Relevant Screen Rate** means:
 - (A) with respect to the Rated Notes (other than the Class A1a Notes) and the Retention Note, 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 three-month and six-month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee; and
 - (B) with respect to the Class A1a Notes, the arithmetic mean of offered quotations for three-month Euro deposits (or, with respect to the first Interest Period the rate which represents the linear interpolation of EURIBOR for three-month and six-month deposits in Euros) in the Eurozone interbank market displayed on the Reuters Screen page EURIBOR01 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee; and
- (xix) **TARGET2 Business Day** means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

5.4 Determination of Rates of Interest and Interest Amounts

- (a) The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the amount (the **Interest Amounts**) in respect of the Rated Notes, payable in respect of interest on the Principal Amount Outstanding of each Class of the Rated Notes for the relevant Interest Period.

The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by:

- (i) 365 in the case of each Class of the Rated Notes other than the Class A1a Notes; or
- (ii) 360 in the case of the Class A1a Notes,

in each case rounding the resulting figure downwards to the nearest penny.

- (b) With respect to the Subordinated Note, the Dematerialised Note Registrar will determine the Interest Amount in respect of the Subordinated Note as described above in this Condition 5.4 and in accordance with sub-clause (a)(i) above.
- (c) With respect to the Retention Note, the Dematerialised Note Registrar shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine each Interest Amount in respect of the Retention Note, payable in respect of interest on the Principal Amount Outstanding of the Retention Note for the relevant Interest Period.

The Interest Amount in respect of each Relevant Retention Tranche Principal Amount comprising the Retention Note shall be determined by applying the relevant Rate of Interest to the Relevant Retention Tranche Principal Amount, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365, rounding the resulting figure downwards to the nearest penny.

The Interest Amount in respect of the Retention Note shall be the aggregate of the Interest Amounts in respect of each Relevant Retention Tranche Interest Amount.

5.5 Publication of Rates of Interest and Interest Amounts

The Agent Bank shall cause the Rates of Interest and the Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Dematerialised Note Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Rated Notes are at the relevant time listed and to be published as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined the Rates of Interest and Interest Amounts, the Rates of Interest 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 in the manner provided in Condition 5.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, employ an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

5.7 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, or fraud) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Dematerialised Note Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence, or fraud) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Dematerialised Note Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

5.8 **Agent Bank**

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

5.9 **Determinations and Reconciliation**

- (a) In the event that the Cash Manager does not receive all three Servicer Reports due during a Collection Period (the **Determination Period**), then the Cash Manager may use the Servicer Reports in respect of the three most recent Monthly Periods (or, where there are not at least three such previous Servicer Reports, any previous such Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 5.9. If and when the Cash Manager ultimately receives the Servicer Report relating to the relevant Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 5.9(c). Any (i) calculations properly done on the basis of such estimates in accordance with Conditions 5.9(b) and/or 5.9(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 5.9(b) and/or 5.9(c), shall (in any case) be deemed to be done, in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (b) In respect of any Determination Period the Cash Manager shall:
- (i) determine the Interest Determination Ratio by reference to the three most recent Servicer Reports (or, where there are not at least three such previous Servicer Reports, any previous such Servicer Reports);
 - (ii) calculate the Revenue Receipts for such Determination Period as the product of (i) the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the **Calculated Revenue Receipts**); and
 - (iii) calculate the Principal Receipts for such Determination Period as the product of (i) 1 minus the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the **Calculated Principal Receipts**).
- (c) Following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 5.9(b)(i) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount as follows:
- (i) If the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger);
 - (ii) If the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

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

(d) In this Condition 5.9, the expression:

Interest Determination Ratio means (i) the aggregate Revenue Receipts calculated in the three previous Servicer Reports (or where there are not at least three previous such Servicer Reports, the relevant previous Servicer Reports used by the Cash Manager pursuant to Condition 5.9(b)(i) above) divided by (ii) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Servicer Reports;

Reconciliation Amount means in respect of any Collection Period which is a Determination Period:

(i) the actual Principal Receipts as determined in accordance with the available Servicer Reports,

(ii) less the Calculated Principal Receipts in respect of such Collection Period,

(iii) plus any Reconciliation Amount not applied in previous Collection Periods; and

Servicer Report means a report to be provided by the Servicer on or prior to the 20th day of each month and detailing the information relating to the Portfolio necessary to produce the Monthly Investor Report.

6. PAYMENTS

6.1 *Payment of Interest and Principal*

Payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) for such purpose, subject, in each case to the transfer restrictions applicable to such Note. Each payment of principal, premium or interest made in respect of a Global Note will be recorded by the Clearing Systems in their records (which records are the records each relevant Clearing System holds for its customers and reflect such customers' interest in the Notes) and such records shall be *prima facie* evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the persons shown as the Holder of the relevant Global Note in the Register. The Issuer shall procure that each payment shall be entered *pro rata* in the records of the relevant Clearing System but any failure to make such entries shall not affect the discharge referred to above.

6.2 *Laws and Regulations*

Payments of principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto 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 FATCA. Noteholders will not be charged commissions or expenses on payments.

6.3 *Payment of Interest following a Failure to pay Principal*

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (*Interest Accrual*) and Conditions 5.3(a) and 5.3(b) (*Rate of Interest*) will be paid, in respect of a Global Note, as described in Condition 6.1 (*Payment of Interest and Principal*) above and, in respect of any Definitive Note, in accordance with this Condition 6.

6.4 *Change of Paying Agents*

Subject to the detailed provisions of the Agency Agreement, 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 Dematerialised Note 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; and
- (b) there will at all times be at least one Paying Agent (who may be the Principal Paying Agent) having its specified office in such place as may be required by the rules and regulations of the relevant stock exchange and competent authority.

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 Dematerialised Note Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

6.5 No Payment on non-Business Day

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression **Presentation Date** means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

6.6 Partial Payment

If the Dematerialised Note Registrar (in respect of the Subordinated Note) makes a partial payment in respect of the Subordinated Note, the Dematerialised Note Registrar will, in respect of the Subordinated Note, annotate the Dematerialised Note Register, indicating the amount and date of such payment.

6.7 Subordinated Note

Payments in respect of principal, premium (if any) and interest in respect of the Subordinated Note will be made only to the Subordinated Noteholder. Each payment of principal, premium or interest made in respect of the Subordinated Note will be recorded by the Dematerialised Note Registrar in the Dematerialised Note Register and, absent manifest errors, such records shall be prima facie evidence that the payment in question has been made.

6.8 Retention Note

Payments in respect of principal, premium (if any) and interest in respect of the Retention Note will be made only to the Retention Noteholder. Each payment of principal, premium or interest made in respect of the Retention Note will be recorded by the Dematerialised Note Registrar in the Dematerialised Note Register and, absent manifest errors, such records shall be prima facie evidence that the payment in question has been made.

The Retention Note Holder will also be entitled to receive amounts payable to the Seller as Deferred Consideration on each Interest Payment Date in accordance with the relevant Priority of Payments under the portion of the Retention Note comprised by Retention Tranche Deferred Consideration. On each Interest Payment Date, the portion of the Retention Note comprised by Retention Tranche Deferred Consideration will receive an amount equal to the product of the Retention Tranche Deferred Consideration Payment Percentage and all amounts available as Deferred Consideration on such Interest Payment Date in accordance with the applicable Priority of Payments. The **Retention Tranche Deferred Consideration Payment Percentage** will be the aggregate Principal Amount Outstanding of the Retention Note as a percentage of the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes and the Subordinated Note and the outstanding principal amount of the Start-Up Loan.

6.9 Payment of Interest

If interest is not paid in respect of the Subordinated Note on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 6.1 (*Payment of Interest and Principal*) or where interest is deferred in accordance with Condition 16 (*Subordination by Deferral*), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Subordinated Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 15 (*Notice to Noteholders*).

7. REDEMPTION

7.1 *Final Redemption*

Unless previously redeemed in full as provided in this Condition 7 (*Redemption*), the Issuer shall redeem each Class of Notes at their then Principal Amount Outstanding together with all accrued interest on the Final Legal Maturity Date in respect of such Class of Notes.

The Issuer may not redeem the Notes in whole or in part prior to those respective dates except as provided in Condition 7.2 (*Mandatory Redemption of the Notes in Part*), 7.3 (*Optional Redemption of the Rated Notes in Full*) and 7.4 (*Optional Redemption of the Rated Notes for Taxation or Other Reasons*) below, but without prejudice to Condition 10 (Events of Default).

7.2 *Mandatory Redemption of the Notes in Part*

On each Interest Payment Date, other than an Interest Payment Date on which the Notes are to be redeemed under Conditions 7.1 (*Final Redemption*), 7.3 (*Optional Redemption of the Rated Notes in Full*) or 7.4 (*Optional Redemption of the Rated Notes for Taxation or Other Reasons*), the Issuer shall repay principal in respect of the Notes on each Interest Payment Date as follows:

- (a) prior to the occurrence of the Revolving Period End Date, the Issuer (or the Cash Manager on the Issuer's behalf) shall repay principal in respect of the Class A1a Notes, the Class A1b Notes, the Class A2 Notes, the Class A3 Notes and the Retention Note by applying the Available Principal Receipts available to it on such Interest Payment Date in accordance with and subject to paragraph (a) of the Pre-Enforcement Principal Priority of Payments, *provided that* in respect of any payment to be made in accordance with paragraph (a)(v) of the Pre-Enforcement Principal Priority of Payments, the Issuer shall pay an amount equal to the lesser of:
 - (i) the amount required to reduce the Principal Amount Outstanding of the Class A1a Notes to the target principal balance set out alongside the relevant Interest Payment Date in the Class A1a principal payment schedule (the **Class A1a Principal Payment Schedule**) set out in the Appendix to these Conditions (such amount, the **Class A1a Target Amortisation Amount**);
 - (ii) the amount required to reduce the Principal Amount Outstanding of the Retention Notes to the target principal balance set out alongside the relevant Interest Payment Date in the principal payment schedule corresponding to the portion of the Retention Note comprised by Retention Tranche A1a (the **Retention Tranche A1a Principal Payment Schedule**) set out in the Appendix to these Conditions (such amount, the **Retention Tranche A1a Target Amortisation Amount**);
 - (iii) the amount required to reduce the Principal Amount Outstanding of the Class A1b Notes to the target principal balance set out alongside the relevant Interest Payment Date in the Class A1b principal payment schedule (the **Class A1b Principal Payment Schedule**) set out in the Appendix to these Conditions (such amount, the **Class A1b Target Amortisation Amount**);
 - (iv) the amount required to reduce the Principal Amount Outstanding of the Retention Notes to the target principal balance set out alongside the relevant Interest Payment Date in the principal payment schedule corresponding to the portion of the Retention Note comprised by Retention Tranche A1b (the **Retention Tranche A1b Principal Payment Schedule**) set out in the Appendix to these Conditions (such amount, the **Retention Tranche A1b Target Amortisation Amount**);
 - (v) the amount required to reduce the Principal Amount Outstanding of the Class A2 Notes to the target principal balance set out alongside the relevant Interest Payment Date in the Class A2 principal payment schedule (the **Class A2 Principal Payment Schedule**) set out in the Appendix to these Conditions (such amount, the **Class A2 Target Amortisation Amount**);

- (vi) the amount required to reduce the Principal Amount Outstanding of the Retention Notes to the target principal balance set out alongside the relevant Interest Payment Date in the principal payment schedule corresponding to the portion of the Retention Note comprised by Retention Tranche A2 (the **Retention Tranche A2 Principal Payment Schedule**) set out in the Appendix to these Conditions (such amount, the **Retention Tranche A2 Target Amortisation Amount**); and
 - (vii) the amount of such Available Principal Receipts remaining to be applied under the Pre-Enforcement Principal Priority of Payments after payment of paragraphs (a)(i) to (a)(iv) (inclusive) thereunder;
- (b) prior to the occurrence of the Revolving Period End Date, there shall be no repayment of principal on the Class B Notes, the portion of the Retention Note comprised by Retention Tranche B, the Class C Notes, the portion of the Retention Note comprised by Retention Tranche C, the Subordinated Note or the portion of the Retention Note comprised by Retention Tranche SN; and
 - (c) following the occurrence of the Revolving Period End Date, the amount of Available Principal Receipts available on such Interest Payment Date in respect of each of the Class A1a Notes, the Class A1b Notes, the Class A2 Notes, the Class A3 Notes, the Class B Notes, the Class C Notes, the Subordinated Note and the Retention Note will be applied in accordance with and subject to paragraph (b) of the Pre-Enforcement Principal Priority of Payments or, as applicable, in the manner described in and subject to the Deed of Charge.

7.3 Optional Redemption of the Rated Notes in Full

- (a) On giving not more than 30 nor less than 10 days' notice to (i) the Noteholders in accordance with Condition 15 (*Notice to Noteholders*), (ii) the Note Trustee, (iii) the Cash Manager and (iv) the Swap Providers, the Issuer may redeem, on any Optional Redemption Date, all (but not some only) of the Rated Notes on such Optional Redemption Date provided that:
 - (i) on or prior to the relevant Optional Redemption Date, no Note Acceleration Notice has been served;
 - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Rated Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Rated Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (the **Optional Redemption Repayment Amount**) (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Enforcement Principal Priority of Payments and (as applicable) the Pre-Enforcement Revenue Priority of Payments); and
 - (iii) the **Optional Redemption Date** is (A) the Interest Payment Date falling on April 2021 (the **Step-Up Date**) or any Interest Payment Date thereafter or (B) any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Rated Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes on the Closing Date.
- (b) Any Rated Note redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Rated Note (or Retention Note) to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Rated Note up to, but excluding, the Optional Redemption Date.

7.4 Optional Redemption of the Rated Notes for Taxation or Other Reasons

If by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Rated Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Rated 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 (a **Tax Law Change**) then the Issuer shall, if the same would avoid the effect of any Tax Law Change, appoint a Paying Agent in another jurisdiction or if the same would avoid the effect of any Tax Law Change, 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 Rated 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 Class A Noteholders, Class B Noteholders and/or Class C Noteholders (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on confirmation from the Rating Agencies that such substitution will not have an adverse effect on the then current rating of the Rated Notes) 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, provided further that if any taxes referred to in this Condition 7.4 arise in connection with FATCA, the requirement to avoid the effect of any Tax Law Change shall not apply.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that a Tax Law Change is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee, the Swap Providers, and the Class A Noteholders, the Class B Noteholders, and/or the Class C Noteholders (as applicable) in accordance with Condition 15 (*Notice to Noteholders*), redeem all (but not some only) of the Class A Notes, Class B Notes and/or Class C Notes (as applicable) at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer (i) stating that a Tax Law Change prevail(s), (ii) setting out details of such Tax Law Change and (iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution and (b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer or the Paying Agents have or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in the paragraph immediately above, in which event they shall be conclusive and binding on the all Noteholders and the Secured Creditors.

The Issuer may only redeem the Rated Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Rated Notes as aforesaid and any amounts required under the Pre-Enforcement Revenue Priority of Payments to be paid in priority to or *pari passu* with the relevant Rated Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

7.5 Optional Redemption of the Retention Note Tranches in Full

- (a) On giving not more than 30 nor less than 10 days' notice to (i) the Retention Noteholder, (ii) the Note Trustee, (iii) the Cash Manager and (iv) the Swap Providers, the Issuer may redeem, on any Retention Note Tranche Optional Redemption Date, any Retention Note Tranche of the Retention Note on such Retention Note Tranche Optional Redemption Date provided that:
- (i) on or prior to the relevant Retention Note Tranche Optional Redemption Date, no Note Acceleration Notice has been served;
 - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds on the relevant Retention Note Tranche Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with the relevant Retention Note Tranche on such Retention Note Tranche Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (the **Retention Note Tranche Optional Redemption Repayment Amount**) (such certification to be provided by way of certificate signed by two directors of the Issuer); and

- (iii) the **Retention Note Tranche Optional Redemption Date** is on or prior to the Optional Redemption Date for the Class of Notes corresponding to the relevant Retention Note Tranche.
- (b) Any Retention Note Tranche redeemed pursuant to this Condition will be redeemed at an amount equal to the Principal Amount Outstanding of such Retention Note Tranche to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Retention Note Tranche up to, but excluding, the Retention Note Tranche Optional Redemption Date.

7.6 **Principal Amount Outstanding**

The **Principal Amount Outstanding**:

- (a) in respect of the Class A1a Notes on any date shall be their original principal amount of €150,000,000 less the aggregate amount of all principal payments in respect of such Class A1a Notes which have been made since the Closing Date;
- (b) in respect of the Class A1b Notes, on any date shall be their original principal amount of £834,400,000 less the aggregate amount of all principal payments in respect of such Class A1b Notes which have been made since the Closing Date;
- (c) in respect of the Class A2 Notes, on any date shall be their original principal amount of £450,000,000 less the aggregate amount of all principal payments in respect of such Class A2 Notes which have been made since the Closing Date;
- (d) in respect of the Class A3 Notes, on any date shall be their original principal amount of £1,450,000,000 less the aggregate amount of all principal payments in respect of such Class A3 Notes which have been made since the Closing Date;
- (e) in respect of the Class B Notes, on any date shall be their original principal amount of £79,600,000 less the aggregate amount of all principal payments in respect of such Class B Notes which have been made since the Closing Date;
- (f) in respect of the Class C Notes, on any date shall be their original principal amount of £47,800,000 less the aggregate amount of all principal payments in respect of such Class C Notes which have been made since the Closing Date;
- (g) in respect of the Subordinated Note shall be, as at a particular day (the **Subordinated Note Balance Reference Date**), the total principal amount of all drawings under the Subordinated Note on and since the Closing Date less the aggregate amount of all principal payments in respect of such Subordinated Note which have been made since the Closing Date and not later than the Subordinated Note Balance Reference Date (such amounts to be notified in writing by the Dematerialised Note Registrar to the Principal Paying Agent, and any other Paying Agents); and
- (h) in respect of the Retention Note shall be, as at a particular day (the **Retention Note Balance Reference Date**), the total principal amount of all drawings under the Retention Note on and since the Closing Date less the aggregate amount of all principal payments in respect of such Retention Note which have been made since the Closing Date and not later than the Retention Note Balance Reference Date (such amounts to be notified in writing by the Retention Note Registrar to the Principal Paying Agent, and any other Paying Agents).

7.7 **Notice of Redemption**

Any such notice as is referred to in Condition 7.3 (*Optional Redemption of the Rated Notes in Full*) or Condition 7.4 (*Optional Redemption of the Rated 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 Condition 7.3 (*Optional Redemption of the Rated Notes in Full*) or Condition 7.4 (*Optional Redemption of the Rated Notes for Taxation or Other Reasons*) may be relied on by the Note Trustee without further investigation and, if so relied on, shall be conclusive and binding on the Noteholders.

7.8 No Purchase by the Issuer

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

7.9 Cancellation

All Notes (other than the Subordinated Note and the Retention Note) redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

On each Interest Payment Date on which the Subordinated Note is redeemed pursuant to Condition 7.2 (*Mandatory Redemption of the Notes in Part*), the Dematerialised Note Registrar shall cancel the Subordinated Note in an amount equal to such mandatory redemption, thereby reducing the nominal principal amount of the Subordinated Note by an amount equal to such mandatory redemption.

On each Interest Payment Date on which the Retention Note is redeemed pursuant to Condition 7.2 (*Mandatory Redemption of the Notes in Part*), the Dematerialised Note Registrar shall cancel the Retention Note in an amount equal to such mandatory redemption, thereby reducing the nominal principal amount of the Retention Note by an amount equal to such mandatory redemption.

The Subordinated Note will be cancelled when redeemed in full after the Subordinated Note Commitment Termination Date and may not be resold or re-issued once cancelled.

8. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 7.4 (*Optional Redemption of the Rated Notes for Taxation or Other Reasons*), the Issuer or, as the case may be, the relevant Paying Agent or the Dematerialised Note Registrar 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, the Dematerialised Note Registrar nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

9. PRESCRIPTION

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

In this Condition 9, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

10. EVENTS OF DEFAULT

10.1 Class A Notes

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

- (a) if default is made in the payment of any principal or interest due in respect of the Class A Notes or any of them and the default continues for a period of (i) 7 days in the case of principal or (ii) 14 days in the case of interest; or

- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolutions of the Class A Noteholders; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or (in the opinion of the Note Trustee) a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolutions of the Class A Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

The Note Trustee shall simultaneously send a copy of any Note Acceleration Notice it serves on the Issuer to the Swap Providers, provided failure to send such copy shall not invalidate any Note Acceleration Notice.

10.2 *Class B Notes*

This Condition 10.2 shall not apply so long as any Class A Note or any portion of the Retention Note comprised by Retention Tranche A remains outstanding. Subject thereto, for so long as any Class B Note and the portion of the Retention Note comprised by Retention Tranche B is outstanding, the Note Trustee at its absolute discretion may, and if so directed by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes then outstanding or if so directed by an Extraordinary Resolution of the Class B Noteholders shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) give a **Note Acceleration Notice** to the Issuer in any of the following events:

- (a) if default is made in the payment of any principal or interest due in respect of the Class B Notes and the default continues for a period of (i) seven days in the case of principal or (ii) 14 days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) occurs.

10.3 *Class C Notes*

This Condition 10.3 shall not apply so long as any Class A Note, any Class B Note or any portion of the Retention Note comprised by Retention Tranche A or Retention Tranche B remain outstanding remains outstanding. Subject thereto, for so long as any Class C Note and the portion of the Retention Note comprised by Retention Tranche C is outstanding, the Note Trustee at its absolute discretion may, and if so directed by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class C Notes then outstanding or if so directed by an Extraordinary Resolution of the Class C Noteholders shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) give a **Note Acceleration Notice** to the Issuer in any of the following events (each and, together with Conditions 10.1(a) to (f) and 10.2(a) to (b), a **Senior Note Event of Default**):

- (a) if default is made in the payment of any principal, premium or interest due in respect of the Class C Notes and the default continues for a period of (i) seven days in the case of principal or (ii) 14 days in the case of interest; or
- (b) if any of the Issuer Events of Default referred to in Condition 10.1(b) to 10.1(f) occurs.

10.4 *Subordinated Note*

This Condition 10.4 shall not apply as long as any Rated Note or the portion of the Retention Note comprised by the Retention Note Amortising Tranches remains outstanding. Subject thereto, for so long as the Subordinated Note and the portion of the Retention Note comprised by Retention Tranche SN is outstanding, the Note Trustees shall if so directed by the sole Subordinated Noteholder, (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) give a Note Acceleration Notice to the Issuer in any of the following events (each, a **Subordinated Note Event of Default** and, together with each Senior Note Event of Default, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Subordinated Note and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) occurs with references, where applicable, to the Class A Noteholders being read as to the Subordinated Noteholder.

10.5 *General*

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Conditions 10.1, 10.2, 10.3 or 10.4 above, all Classes of the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

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 Notes or the Trust Deed (including these Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps 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) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking Class or Classes of Noteholders (including the provisions set out in Clause 10 and Schedule 4 of the Trust Deed), it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders or so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes, Class B Notes or Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the holder of the Subordinated Note; and
- (b) in all cases, it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

11.2 **Preservation of Assets**

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, 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 Class A Noteholders, the Class B Noteholders and the Class C Noteholders (and all persons ranking in priority to or *pro rata* and *pari passu* with the relevant Noteholders) or, once all of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders have been repaid, to the Subordinated Noteholder (and all persons ranking in priority thereto or *pro rata* and *pari passu* therewith), or (b) the Note Trustee informs the Security Trustee that it is of the opinion (and the Note Trustee directs the Security Trustee accordingly), 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 Note Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (and all persons ranking in priority to or *pro rata* and *pari passu* with the relevant Noteholders) or, once all of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders have been repaid, to the Subordinated Noteholder (and all persons ranking in priority thereto or *pro rata* and *pari passu* therewith)). The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Note Trustee shall be paid by the Issuer.

11.3 **Limitations on Enforcement**

No Noteholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

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

11.4 **Limited Recourse**

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 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 (including payments of principal, premium (if any), interest),

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

12. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class 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.

12.2 An Extraordinary Resolution (other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of the relevant affected Classes of Notes and subject to the more detailed provisions of the Trust Deed) passed at any meeting of the Class A Noteholders shall be binding on the Class B Noteholders, Class C Noteholders, the Subordinated Noteholder and the Retention Note irrespective of the effect upon them, subject to Condition 12.7 (Quorum).

- 12.3** An Extraordinary Resolution (other than an Extraordinary Resolution referred to in Condition 12.2 above) passed at any meeting of the Class B Noteholders shall not be effective for any purpose unless either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders, but subject also to Condition 12.4 below.
- 12.4** An Extraordinary Resolution (other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of the relevant affected Classes of Notes and subject to the more detailed provisions of the Trust Deed) passed at any meeting of the Class B Noteholders shall be binding on the Class C Noteholders, the Subordinated Noteholder and the Retention Noteholder irrespective of the effect upon them, subject to Condition 12.7 (*Quorum*).
- 12.5** An Extraordinary Resolution (other than an Extraordinary Resolution referred to in Condition 12.2 or 12.4 above) passed at any meeting of the Class C Noteholders shall not be effective for any purpose unless:
- (a) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders; and
 - (b) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B Noteholders or it is sanctioned by an Extraordinary Resolution of the Class B Noteholders.
- 12.6** An Extraordinary Resolution (other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of the relevant affected Classes of Notes and subject to the more detailed provisions of the Trust Deed) passed at any meeting of the Class C Noteholders shall be binding on the Subordinated Noteholder and the Retention Noteholder irrespective of the effect upon it, subject to Condition 12.7 (*Quorum*).
- 12.7 Quorum**
- (a) Subject as provided below, the quorum at any meeting of Noteholders of any Class or Classes for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes, or, at any adjourned meeting, one or more persons being or representing a Noteholder of the relevant Class or Classes, whatever the aggregate Principal Amount Outstanding of the Notes of such Class or Classes held or represented by it or them.
 - (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of the Noteholders of any Class or Classes for passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, (iii) sanction a modification 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, (iv) alter the currency in which payments under the Notes are to be made, (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal or substitution for the sale, conversion or cancellation of the Notes or (vii) alter any of the provisions contained in this exception (each a **Basic Terms Modification**) shall be one or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding and any Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at a meeting of the Noteholders of such Class or Classes.

The Trust Deed and the Deed of Charge contain similar provisions in relation to directions in writing from the Noteholders upon which the Note Trustee or, as the case may be, the Security Trustee is bound to act (subject where applicable to being indemnified and/or prefunded and/or secured to their satisfaction).

12.8 *Modification*

Other than in respect of a Basic Terms Modification, the Note Trustee or, as the case may be, the Security Trustee, may agree with the Issuer and any other parties but without the consent of the Noteholders or the other Secured Creditors (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document):

- (a) to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee is not materially prejudicial to the interests of the Noteholders of any Class; or
- (b) to any modification to these Conditions or any of the Transaction Documents 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.

provided that in respect of any modifications to any of the Transaction Documents to which a Swap Provider is not a party which would (in the opinion of the relevant Swap Provider, which shall be confirmed in writing within five Business Days of the relevant Swap Provider receiving notice of such modifications to the Note Trustee and the Security Trustee prior to such modification) have the effect of altering the amount, timing or priority of any payments or deliveries due from the Issuer to the relevant Swap Provider or from the relevant Swap Provider to the Issuer, the prior written consent of that Swap Provider is required.

The Issuer must obtain the consent of a Swap Provider to any modification to any Transaction Document to which that Swap Provider is a party.

12.9 *Additional Right of Modification*

Notwithstanding the provisions of Condition 12.8 (*Modification*), the Note Trustee and/or the Security Trustee (as the case may be) shall be obliged, without any consent or sanction of the Noteholders, or, subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or whose ranking in any Priority of Payments is affected, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security or enter into any new, supplemental or additional documents that the Issuer (in each case) considers necessary:

- (a) in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to receipt by the Note Trustee and the Security Trustee of a certificate issued by (i) the Issuer or (ii) the Cash Manager on behalf of the Issuer certifying to the Note Trustee and the Security Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR and have been drafted solely to that effect;
- (b) 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 in relation to any amendment under this Condition 12.9(b):
 - (i) the Issuer or the Cash Manager on behalf of 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 Cash Manager, the Seller, the Servicer, the Issuer Account Bank, a Swap Provider and/or any Swap Collateral Account Bank (for the purposes of this Condition 12.9 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;

- (B) either:
1. the Issuer or Cash Manager (on behalf of the Issuer) obtains from each of the Rating Agencies a Ratings Confirmation and, if relevant, delivers a copy of each such confirmation to the Issuer, the Note Trustee and the Security Trustee; or
 2. the Issuer or the Cash Manager 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 the Rated Notes by such Rating Agency or (y) such Rating Agency placing the Rated Notes on rating watch negative (or equivalent); and

(C) TSB Bank plc pays all costs and expenses (including legal fees) incurred by the Issuer and the Note Trustee and the Security Trustee or any other Transaction Party in connection with such modification,

- (c) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 17 of Directive 2011/61/EU (as amended) or Article 51 of the Commission Delegated Regulation (EU) No 231/2013 (the **AIFMR**), after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRR or the AIFMR 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;
- (d) for the purpose of enabling the Rated Notes to be (or to remain) listed on the London 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;
- (e) 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;
- (f) for the purposes of enabling the Issuer or any of the other Transaction Parties to comply with the liquidity coverage requirement for Credit Institutions of 10 October 2014 (or, if different, the equivalent provisions in such approved version of such Commission Delegated Regulation supplementing Regulation (EU) 575/2013), 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; or
- (g) 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 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,

(the certificate to be provided by (i) the Issuer, (ii) the Cash Manager on behalf of the Issuer, and/or (iii) the Relevant Party, as the case may be, pursuant to Conditions 12.9(a) to (g) 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 or whose ranking in any Priority of Payments is affected has been obtained;

and provided further that, other than in the case of a modification pursuant to Condition 12.9(a) above:

- (A) other than in the case of a modification pursuant to Condition 12.9(b)(ii) above, either:
 - (I) the Issuer or Cash Manager (on behalf of the Issuer) obtains from each of the Rating Agencies a Ratings Confirmation; or
 - (II) the Issuer or the Cash Manager 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 the Rated Notes by such Rating Agency or (y) such Rating Agency placing the Rated 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 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 15 (*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 Controlling Class 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 Controlling Class 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 Controlling Class is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver*).

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.

12.10 In respect of Condition 12.9 (*Additional Right of Modification*) or any Transaction Document:

- (a) when implementing any modification pursuant to Condition 12.9, neither the Note Trustee nor the Security Trustee shall consider the interests of the Noteholders, any other Secured Creditor or any other person and the Note Trustee and the Security Trustee shall act and rely solely and without further investigation on any certificate or evidence provided to them by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Condition 12.9 and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee (as applicable) would have the effect of (i) exposing the Note Trustee or the Security Trustee 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 or the Security Trustee in the Transaction Documents and/or these Conditions.

- 12.11** The Note Trustee may, without the consent or sanction of the Noteholders or the other Secured Creditors, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders of any Class, waive or authorise any breach or proposed breach or determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution or by a direction under Condition 10 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.
- 12.12** Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified by the Issuer as soon as practicable thereafter to:
- (i) so long as the Rated Notes remain outstanding, each Rating Agency;
 - (ii) the Secured Creditors; and
 - (iii) the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).
- 12.13** In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption of the Rated 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 be materially prejudicial to the interests of the Noteholders.
- 12.14** In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee may in its absolute discretion, among other things, have regard to whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Rated Notes. Notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected, it is agreed 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.
- 12.15** Where, in connection with the exercise or performance by the Note Trustee or the Security Trustee of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to herein), each of the Note Trustee and the Security Trustee is required to have regard to the interests of the Noteholders of any Class or Classes, it shall have regard to the general interests of the Noteholders of such Class or Classes as a Class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee and the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.
- 12.16** **Extraordinary Resolution** means in respect of the Class A Noteholders, Class B Noteholders or Class C Noteholders (as applicable):
- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than 75 per cent. of the votes cast; or

- (b) (i) a resolution in writing signed by or on behalf of the Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of any Class of the Notes then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class (a **Written Resolution**), or (ii) where the Notes are held on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Issuer or the Note Trustee (as the case may be) given by way of electronic consents communicated through the electronic communication systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters in aggregate Principal Amount Outstanding of the Notes then outstanding (**Electronic Consent**).

For the purposes of any Extraordinary Resolution or Ordinary Resolution, the Retention Noteholder shall be deemed to be a Noteholder of each Class of Notes based on the Principal Amount Outstanding of the portion of the Retention Note comprised by the relevant Retention Note Tranche corresponding to such Class of Notes.

A Written Resolution and/or an Electronic Consent, shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holders of Class A Notes duly convened and held. Such a Written Resolution and/or Electronic Consent will be binding on all holders of Class A Notes, Class B Notes or Class C Notes (as applicable) whether or not they participated in such Written Resolution and/or Electronic Consent.

12.17 Issuer Substitution Condition

The Note Trustee may concur with the Issuer, subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 (*Covenants*). In the case of a substitution pursuant to this Condition 12.17, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

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 secured and/or prefunded to their satisfaction.

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

14. REPLACEMENT OF NOTES

If any Class A Note, Class B Note or Class C Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Class A Note, Class B Note or Class C 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 Class A Note, Class B Note or Class C Note must be surrendered before a new one will be issued.

15. NOTICE TO NOTEHOLDERS

15.1 *Publication of Notice*

- (a) Subject to paragraph (b) below, all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the London Stock Exchange (which includes delivering a copy of such notice to the London Stock Exchange) and any such notice will be deemed to have been given on the date sent to the London Stock Exchange. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Note Trustee may approve. The holders of any coupons will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.
- (b) Whilst the Class A Notes, Class B Notes and Class C Notes are represented by a Global Note, notices to Noteholders (other than the Subordinated Noteholder) will be valid if published as described above, or, at the option of the Issuer, if submitted to the relevant Clearing System for communication by them to Noteholders (other than the Subordinated Noteholder). Any notice delivered to a Clearing System, as aforesaid, shall be deemed to have been given on the day of such delivery.
- (c) In respect of the Subordinated Note, notices to the Subordinated Noteholder will be sent to it by the Issuer to the fax number or email address notified to the Issuer from time to time in writing.
- (d) The Issuer shall simultaneously send a copy of any notice it serves on Noteholders to the Swap Providers, provided failure to send such copy shall not invalidate such notice.

15.2 *Note Trustee's Discretion to Select Alternative Method*

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

16. SUBORDINATION BY DEFERRAL

16.1 *Interest*

- (a) If, on any Interest Payment Date whilst any of the Class A Notes, the Class B Notes or the portion of the Retention Note comprised by Retention Tranche A or Retention Tranche B remain outstanding prior to the service of a Note Acceleration Notice, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 16, include any interest previously deferred under this Condition 16.1 and any accrued Additional Interest thereon) payable in respect of the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C 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 in respect of the Class C Notes and such portion of the Retention Note (unless there are no Class A Notes, Class B Notes or the portion of the Retention Note comprised by Retention Tranche A or Retention Tranche B then outstanding) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Enforcement Revenue Priority of Payments than interest payable in respect of the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C).
- (b) Any interest deferred in respect of the Class C Notes or the portion of the Retention Note comprised by Retention Tranche C under this Condition 16.1 shall be referred to as **Deferred Interest**.

16.2 General

Any amounts of Deferred Interest in respect of the Class C Notes and the portion of the Retention Note comprised by Retention Tranche C 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 16.1 (*Interest*) applies) or on such earlier date as the Class C Notes or the portion of the Retention Note comprised by Retention Tranche C (as applicable) become due and repayable in full in accordance with these Conditions.

16.3 Notification

As soon as practicable after becoming aware but no later than 5 Business Days prior to any Interest Payment Date that any part of a payment of interest on the Subordinated Note will be deferred or that a payment previously deferred will be made in accordance with this Condition 16, the Issuer will give notice thereof to the Subordinated Noteholder in accordance with Condition 15 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 16 will not constitute an Event of Default. The provisions of this Condition 16 shall cease to apply on the Final Legal Maturity Date, or any earlier date on which the Notes are redeemed in full or required to be redeemed in full at which time all deferred interest and accrued Additional Interest thereon shall become due and payable.

17. INCREASING THE PRINCIPAL AMOUNT OUTSTANDING OF THE SUBORDINATED NOTE AND THE RETENTION NOTE

- (a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the Subordinated Note Commitment Termination Date notifying the Issuer (i) that during the Revolving Period, there are (A) insufficient funds to pay in full the aggregate Further Advance Purchase Price due on any Monthly Pool Date or (B) amounts remaining to the debit of the Further Advance Purchase Price Ledger following the application of the Pre-Enforcement Principal Priority of Payment on an Interest Payment Date (in each case, a **Further Advance Purchase Price Shortfall Amount**); and/or (ii) there are (A) insufficient funds to pay in full the aggregate New Portfolio Purchase Price due on any Sale Date or (B) amounts remaining to the debit of the New Portfolio Purchase Price Ledger following the application of the Pre-Enforcement Principal Priority of Payment on an Interest Payment Date (in each case, a **New Portfolio Purchase Price Shortfall Amount**); and/or (iii) the Cash Manager has determined (on behalf of the Issuer) on a Calculation Date that there has arisen a Class A1a Shortfall Amount, a Retention Tranche A1a Shortfall Amount, Class A1b Shortfall Amount, a Retention Tranche A1b Shortfall Amount, a Class A2 Shortfall Amount and/or a Retention Tranche A2 Shortfall Amount with respect of the Available Principal Receipts available to be applied in accordance with the Pre-Enforcement Principal Priority of Payments on the immediately following Interest Payment Date, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Subordinated Note (the **Subordinated Noteholder**) requesting that such Subordinated Noteholder further fund the Subordinated Note on the next following Monthly Pool Date, Interest Payment Date or other Business Day specified in the Notice of Increase in an amount equal to 95 per cent. of:
- a. in respect of (i) above, the applicable Further Advance Purchase Price Shortfall Amount;
 - b. in respect of (ii) above, the applicable New Portfolio Purchase Price Shortfall Amount; or
 - c. in respect of (iii) above, the applicable Class A1a Shortfall Amount, the applicable Retention Tranche A1a Shortfall Amount, the applicable Class A1b Shortfall Amount, the applicable Retention Tranche A1b Shortfall Amount, the applicable Class A2 Shortfall Amount and/or the applicable Retention Tranche A2 Shortfall Amount.
- (b) The Subordinated Noteholder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the Subordinated Note Commitment Termination Date requesting that the relevant Subordinated Noteholder further fund the Subordinated Note, may in its sole discretion notify the Issuer that the relevant Subordinated Noteholder is prepared to make such further funding (the **Further Subordinated Note Funding**), provided the relevant Subordinated Noteholder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 17(e) below.

- (c) If the Subordinated Noteholder makes a Further Subordinated Note Funding, the Retention Noteholder may make a further funding under the Retention Note in an amount equal to 5 per cent. of items a. – b. under sub-paragraph (a) above (a **Further Retention Note Funding** and, together with the Further Subordinated Note Funding, a **Further Funding**).
- (d) The proceeds of the Further Funding shall be applied by the Issuer to fund (i) the payment of the relevant Further Advance Purchase Price Shortfall Amount, and/or (ii) the payment of the relevant New Portfolio Purchase Price Shortfall Amount, and/or (iii) the Principal Ledger up to an amount equal to any applicable Class A1a Shortfall Amount and/or (iv) the Principal Ledger up to an amount equal to any applicable Retention Tranche A1a Shortfall Amount and/or (v) the Principal Ledger up to an amount equal to any applicable Class A1b Shortfall Amount and/or (vi) the Principal Ledger up to an amount equal to any applicable Retention Tranche A1b Shortfall Amount and/or (vii) the Principal Ledger up to an amount equal to any applicable Class A2 Shortfall Amount and/or (viii) the Principal Ledger up to an amount equal to any applicable Retention Tranche A2 Shortfall Amount, for such amount to be applied as Available Principal Receipts on the immediately following Interest Payment Date.
- (e) The Subordinated Noteholder shall advance the amount of such Further Subordinated Note Funding, and the Retention Noteholder shall advance the amount of such Further Retention Note Funding, to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
- (i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further Funding (or such lesser time as may be agreed by the Subordinated Noteholder and the Retention Noteholder), the relevant Subordinated Noteholder and the Retention Noteholder has received from the Issuer a completed and irrevocable Notice of Increase therefor, receipt of which shall oblige the relevant Subordinated Noteholder and the Retention Noteholder to accept the amount of the Further Subordinated Note Funding or Further Retention Note Funding, as applicable, therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
 - (ii) either:
 - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further Funding; or
 - (B) the relevant Noteholder agrees in writing (notwithstanding any matter mentioned at (ii)(A) above to make such Further Funding available; and
 - (iii) the proposed date of such Further Funding falls on a Business Day prior to the Subordinated Note Commitment Termination Date.
- (f) The Retention Noteholder may also make a further funding under the portion of the Retention Note comprised by Retention Tranche SUL if the Start-Up Loan Provider makes an Advance under the Start-Up Loan Agreement pursuant to the terms of the Start-Up Loan Agreement.

In this Condition 17, the expression:

Notice of Increase means a notice delivered by the Issuer or the Cash Manager on its behalf to the Subordinated Noteholder or the Retention Noteholder, substantially in the form set out in the Trust Deed.

18. NON-RESPONSIVE RATING AGENCY

- 18.1** In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account 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 **Ratings Confirmation**).

18.2 If a Ratings Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Ratings Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and the Security Trustee) and:

- (i) one Rating Agency (such Rating Agency, a **Non-Responsive Rating Agency**) indicates that it does not consider such Ratings Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy provide such Ratings Confirmation or response or (B) within 30 days of delivery of such request, no Ratings Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Ratings Confirmation or response could not be given; and
- (ii) one Rating Agency gives such Ratings Confirmation or response based on the same facts,

then such condition to receive a Ratings Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Ratings Confirmation or response from the Non-Responsive Rating Agency if the Cash Manager on behalf of 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, following the delivery by or on behalf of the Issuer of a written request to each Rating Agency.

18.3 The Note Trustee and the Security Trustee shall be entitled to rely without liability to any person on any certificate delivered to it in connection with a Non-Responsive Rating Agency pursuant to this Condition 18. The Note Trustee and the Security Trustee shall not be required to investigate any action taken by the Issuer or such Non-Responsive Rating Agency and shall treat the applicable condition or requirement to receive a Ratings Confirmation or response from each Rating Agency as having been modified with the consent of all Noteholders and all parties to the relevant Transaction Documents so that there shall be no requirement for such Ratings Confirmation or response from the Non-Responsive Rating Agency.

19. GOVERNING LAW

The Trust Deed, the Deed of Charge, the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

20. RIGHTS OF THIRD PARTIES

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

USE OF PROCEEDS

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

The Issuer will use the proceeds of the Start-Up Loan and the corresponding Retention Note Drawing to: (a) pay for certain of the Issuer's initial fees and expenses incurred in connection with the issue of the Notes and (b) establish the Liquidity Reserve Fund in an amount equal to the Initial Liquidity Reserve Fund Required Amount.

The Issuer will use the proceeds of advances granted under the Start-Up Loan and the corresponding Retention Note Drawing following the Closing Date to: (a) supplement the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount and (b) be applied as Available Revenue Receipts to be applied under the Pre-Enforcement Revenue Priority of Payments.

In the event that a Subordinated Note Drawing and the corresponding Retention Note Drawing are made, the Issuer will use the proceeds of such drawing to:

- (a) supplement the Further Advance Purchase Price Ledger to pay in full the aggregate Further Advance Purchase Price;
- (b) supplement the New Portfolio Purchase Price Ledger to pay in full the aggregate New Portfolio Purchase Price;
- (c) supplement the Principal Ledger with an amount equal to any applicable Class A1a Shortfall Amount for such amount to be applied as Available Principal Receipts on the relevant Interest Payment Date;
- (d) supplement the Principal Ledger with an amount equal to any applicable Retention Tranche A1a Shortfall Amount for such amount to be applied as Available Principal Receipts on the relevant Interest Payment Date;
- (e) supplement the Principal Ledger with an amount equal to any applicable Class A1b Shortfall Amount for such amount to be applied as Available Principal Receipts on the relevant Interest Payment Date;
- (f) supplement the Principal Ledger with an amount equal to any applicable Retention Tranche A1b Shortfall Amount for such amount to be applied as Available Principal Receipts on the relevant Interest Payment Date;
- (g) supplement the Principal Ledger with an amount equal to any applicable Class A2 Shortfall Amount for such amount to be applied as Available Principal Receipts on the relevant Interest Payment Date;
or
- (h) supplement the Principal Ledger with an amount equal to any applicable Retention Tranche A2 Shortfall Amount for such amount to be applied as Available Principal Receipts on the relevant Interest Payment Date.

RATINGS

The Rated Notes, on issue, are expected to be assigned the following ratings by Moody's and Fitch. Neither the Subordinated Note nor the Retention Note will be rated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgment, circumstances (including, without limitation, a reduction in the credit rating of the Issuer Account Bank, Interest Rate Swap Provider, Currency Swap Provider and Swap Collateral Account Bank(s) in the future) so warrant.

Class of Notes	Moody's	Fitch
Class A1a Notes	Aaa (sf)	AAAsf
Class A1b Notes	Aaa (sf)	AAAsf
Class A2 Notes	Aaa (sf)	AAAsf
Class A3 Notes	Aaa (sf)	AAAsf
Class B Notes	Aa2 (sf)	AAsf
Class C Notes	Aa3 (sf)	Asf
Subordinated Note	Not Rated	Not Rated
Retention Note	Not Rated	Not Rated

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. As such each of the Rating Agencies is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the EU before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 30 March 2016 (registered number 10091290) as a public limited company under the Companies Act 2006 (as amended). 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) 207 398 6300. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, being 49,999 shares of £1 each, partly-paid up in cash of 25p each and 1 fully paid share of £1, all of which are beneficially owned 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 principal objects of the Issuer are set out in its Articles of Association and are, *inter alia*, to carry on business as a general commercial company. The Issuer was established solely for the purpose of issuing the Notes. The activities of the Issuer are restricted by its Memorandum and Articles of Association and the Transaction Documents and are limited to the issue of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

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

In accordance with the Corporate Services Agreement, the Corporate Services Provider provides to the Issuer certain directors, a registered and administrative office, the arrangement of meetings of directors and shareholders and procures the service of a company secretary. No remuneration other than as provided for under the Corporate Services Agreement is paid by the Issuer to or in respect of any director or officer of the Issuer for acting as such.

Since its incorporation, the Issuer has not commenced operations other than those incidental or ancillary to its incorporation as a public limited company under the Companies Act 2006 (as amended), to the issue of the Notes and to the authorisation of and entry into the other Transaction Documents referred to in this Prospectus to which it is a party. The Issuer has made a notification under the Data Protection Act 1998.

The accounting reference date (i.e. the last day of the fiscal year) of the Issuer is 31 December. The first financial period of the Issuer will end on 31 December 2016. As the Issuer has not commenced operations since the date of its incorporation, it has not prepared audited financial statements up to the date of this Prospectus.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the Liquidity Reserve Fund Ledger and the Issuer Profit 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>
Claudia Wallace	35 Great St. Helen's London EC3A 6AP	Director
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Corporate Director of special purpose companies
SFM Directors (No. 2) Limited	35 Great St Helen's London EC3A 6AP	Corporate Director of special purpose companies

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

Name	Business Address	Principal Activities
Susan Abrahams	35 Great St. Helen's London EC3A 6AP	Director
Robert Berry	35 Great St. Helen's London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's London EC3A 6AP	Company Secretary, Director
Claudia Wallace	35 Great St. Helen's London EC3A 6AP	Director
John Paul Nowacki	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

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

As at the date of this Prospectus, the Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) other than as described in this Prospectus.

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 30 March 2016 (registered number 10091233) 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 1 ordinary share of £1. SFM Corporate Services Limited (the **Share Trustee**) holds the entire beneficial interest in the issued share of Holdings under a discretionary trust for discretionary purposes. Holdings holds the entire beneficial interest in the issued share capital of the Issuer, it has no other subsidiaries.

The principal objects of Holdings are set out in its Articles of Association and are, *inter alia*, to carry on business as a general commercial company.

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:

Name	Business Address	Business Occupation
Claudia Wallace	35 Great St. Helen's London EC3A 6AP	Director
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
SFM Directors (No. 2) Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies

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

Name	Business Address	Principal Activities
Susan Abrahams	35 Great St. Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St. Helen's, London, EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London, EC3A 6AP	Company Secretary, Director
Claudia Wallace	35 Great St. Helen's, London, EC3A 6AP	Director
John Paul Nowacki	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

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

The accounting reference date of Holdings is 31 December. The first financial period of Holdings will end on 31 December 2016.

Holdings has no employees.

TSB BANK PLC AND TSB BANKING GROUP PLC

As at the date of this Prospectus, TSB Bank plc is the Seller, the Servicer, the Cash Manager, the Dematerialised Note Registrar, the Subordinated Noteholder and the Retention Noteholder under the Transaction.

General

TSB Bank plc (**TSB Bank**) was incorporated in Scotland on 24 September 1985 as a private company limited by shares under the Companies Act 1985 with registered number SC095237. TSB Bank was re-registered as a public company limited by shares on 13 March 1986. TSB Bank's registered office is at Henry Duncan House, 120 George Street, Edinburgh EH2 4LH (telephone number: +44 (0)1452 373701). TSB Bank is authorised by the Prudential Regulatory Authority and is regulated by both the Prudential Regulatory Authority and the FCA.

As at the date of this Prospectus, TSB Bank is a wholly-owned subsidiary of TSB Banking Group plc (**TSB Banking Group**). TSB Banking Group was incorporated in England and Wales on 31 January 2014 as a public company limited by shares under the Companies Act 2006 with registered number 08871766. TSB Banking Group's registered office is at 20 Gresham Street, London EC2V 7JE (telephone number: +44 (0)1452 373701).

TSB Banking Group is a wholly-owned subsidiary of Banco de Sabadell, S.A. (**Sabadell**), a major banking group within Spain, with operations in multiple countries.

TSB Bank is a leading UK based "challenger" bank providing a wide range of banking and financial services throughout the UK, to personal and small business customers, including current accounts, savings, personal loans, credit cards and mortgages through a network of over 600 branches, as well as a telephone and internet banking service. Mortgages are also provided through intermediaries.

On 9 September 2013, TSB Bank was launched as a re-branded retail bank operating in the UK with branches across England, Scotland and Wales.

History

In November 2009, Lloyds Banking Group plc (**Lloyds Banking Group**) announced that it had agreed the terms of a restructuring plan with the European Commission, including the divestment of a significant UK retail banking business (the business that is TSB Banking Group and its subsidiary undertakings today) as part of the approval by the European Commission of the state aid granted to Lloyds Banking Group.

Her Majesty's Treasury's financial support of Lloyds Banking Group during a period of unprecedented turbulence in the global financial markets in 2008 – 2009 was deemed by the European Commission to have constituted state aid. As a result of the European Commission decision in relation to the same, Lloyds Banking Group was required to dispose of a UK retail banking business meeting certain criteria, with the aim of bringing more competition to UK retail banking. The criteria to be met by the divestment business, which was referred to by Lloyds Banking Group as 'Verde', included a minimum number of branches and their customers, a minimum share of the personal current account market in the UK and a specified proportion of Lloyds Banking Group's mortgage assets meeting certain quality thresholds.

In April 2013 Lloyds Banking Group announced its intention to pursue the divestment through an initial public offering (**IPO**). This led to the publication of an IPO prospectus in June 2014, with 38.5 per cent. of the ordinary shares of TSB Banking Group being sold.

The ordinary shares of TSB Banking Group were admitted to the premium segment of the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities on 25 June 2014. On 26 September 2014, Lloyds Banking Group sold a further 11.5 per cent. of the issued ordinary shares of TSB Banking Group, leaving Lloyds Banking Group holding approximately 50 per cent. of the issued ordinary shares of TSB Banking Group.

On 20 March 2015, Sabadell announced an offer for the acquisition of the entire issued share capital of TSB Banking Group. This offer was recommended by the Board of Directors of TSB Banking Group, and received regulatory clearances on 30 June 2015, the offer becoming unconditional on that date.

THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

Citicorp Trustee Company Limited acts (i) pursuant to the Trust Deed as Note Trustee for the Noteholders and (ii) pursuant to the Deed of Charge as Security Trustee for the Secured Creditors.

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

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

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

Pursuant to the Note Trust Deed, the Note Trustee is required to take certain actions as described in "*Summary of the Key Transaction Documents—Note Trust Deed*" and "*Terms and Conditions of the Notes*". Pursuant to the Deed of Charge, the Security Trustee is required to take certain actions as described in "*Summary of the Key Transaction Documents—Deed of Charge*" and "*Terms and Conditions of the Notes*".

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

THE AGENT BANK, THE PRINCIPAL PAYING AGENT AND THE REGISTRAR

Citibank, N.A., London Branch acts pursuant to the Agency Agreement as the Agent Bank, the Principal Paying Agent and the Registrar.

Citibank, N.A. is a national association formed through its articles of association that obtained its charter, 1461, on 17 July 1865 and is governed by the laws of the United States. It has its principal business office at 388 Greenwich Street, New York, NY 10013, USA and has in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with foreign company number FC001835 and branch number BR 001018.

Citibank, N.A., London Branch is authorised and regulated by the Officer 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.

Pursuant to the Agency Agreement, the Agent Bank, the Principal Paying Agent and the Registrar are required to take certain actions as described in "*Summary of the Key Transaction Documents—Agency Agreement*".

THE INTEREST RATE SWAP PROVIDER AND THE CURRENCY SWAP PROVIDER

The information contained in this section related to Wells Fargo Bank, N.A. has been obtained from Wells Fargo Bank, N.A. and is furnished solely to provide limited information regarding Wells Fargo Bank, N.A. and does not purport to be comprehensive.

Wells Fargo Bank, National Association, which is a national banking association organized under the laws of the United States that has, as of the date of this Prospectus, long-term debt ratings from Fitch Ratings and Moody's of "AA" and "Aa2", respectively, and short-term debt ratings from Fitch Ratings and Moody's of "F1+" and "P-1", respectively. The ratings reflect the respective rating agency's current assessment of the creditworthiness of Wells Fargo Bank, National Association and may be subject to revision or withdrawal at any time by the rating agencies. Wells Fargo Bank, National Association will provide upon request, without charge, to each person to whom this Prospectus is delivered, a copy of the most recent audited annual financial statements of Wells Fargo & Co., the parent company of Wells Fargo Bank, National Association. Requests for such information should be directed to Wells Fargo & Co. – Investor Relations, (415) 371-2921 or via electronic mail at investorrelations@wellsfargo.com.

Wells Fargo Bank, National Association has not participated in the preparation of this Prospectus and has not reviewed and is not responsible for any information contained in this Prospectus, other than the information contained in the immediately preceding paragraph.

THE CORPORATE SERVICES PROVIDER AND BACK-UP FACILITATOR

Structured Finance Management Limited (registered number 3853947), having its principal address at 35 Great St Helen's, London EC3A 6AP provides corporate services to the Issuer and Holdings pursuant to the Corporate Services Agreement and acts as the Back-up Facilitator pursuant to the Cash Management Agreement and the Servicing Agreement.

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

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

The Issuer or, following delivery of a Note Acceleration Notice, the Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Issuer or, following delivery of a Note Acceleration Notice, the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

THE LOANS

The Provisional Portfolio

The following is a description of some of the characteristics of the Loans including details of loan types, the underwriting process, lending criteria and selected statistical information.

The Seller selects the Loans for transfer into the Provisional Portfolio using a system containing defined data on each of the qualifying loans in the Seller's overall portfolio of loans available for selection. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans. See "*Mortgage Sale Agreement—Warranties and Repurchase by the Seller*". This system also allows a limit to be set on some criteria. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. From this subset, loans are selected until the target balance for Loans has been reached, or the subset has been exhausted. After a pool of Loans is selected in this way, the constituent Loans are monitored so that they complied with the Loan Warranties on the Closing Date or comply with the Loan Warranties on the relevant Sale Date, Advance Date or Switch Date (as applicable).

The Initial Portfolio that will be sold to the Issuer on the Closing Date will be randomly selected from the Provisional Portfolio on the Closing Date. Unless otherwise indicated, the description that follows relates to types of loans that have been or could be sold to the Issuer, either as part of the Initial Portfolio randomly selected on the Closing Date from the Provisional Portfolio or as a new Loan sold to the Issuer at a subsequent Sale Date. The Seller believes that the information in this Prospectus with respect to the Provisional Portfolio is representative of the characteristics of the Loans comprising the Portfolio that will be randomly selected on the Closing Date, although the portfolio averages and numerical data relating to the distribution of the Loans may vary within a range of plus or minus 5 per cent. The aggregate outstanding Current Balance of the Loans sold to the Issuer on the Closing Date may, however, vary by more than plus or minus 5 per cent. from the aggregate outstanding Current Balance of the Loans in the Provisional Portfolio.

The Seller may sell new Loans and their Related Security to the Issuer from time to time. The Seller reserves the right to amend its Lending Criteria and to sell to the Issuer new Loans which are based upon mortgage terms which may be different from those upon which Loans forming the Provisional Portfolio are based. Those new Loans may include loans which are currently being offered to Borrowers which may or may not have some of the characteristics described here, but may also include loans with other characteristics that are not currently being offered to Borrowers or that have not yet been developed. All new Loans will be required to comply with the Loan Warranties set out in the Mortgage Sale Agreement on the applicable Sale Date. The material warranties in the Mortgage Sale Agreement to be given as at the Closing Date and on each Sale Date are described in this Prospectus. See "*Summary of the Key Transaction Documents—Mortgage Sale Agreement*" above.

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. Additional features such as payment holidays (temporary suspension of Monthly Payments) and the ability to make overpayments or underpayments are also available to most borrowers under certain circumstances. See "*—Overpayments and Underpayments*" and "*—Payment Holidays*" below.

Loans are typically repayable on one of the following bases:

- **Repayment Loan:** the Borrower makes Monthly Payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid;
- **Interest-Only Loan:** the Borrower makes Monthly Payments of interest but not of principal; when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum; and
- a combination of both these options.

In the case of either Repayment Loans or Interest-only Loans, the required Monthly Payment may alter from month to month for various reasons, including changes in interest rates.

For Interest-Only Loans, because the principal is repaid in a lump sum at the maturity of the loan, the borrower is recommended to have some repayment mechanism (such as an investment plan) which is intended to provide sufficient funds to repay the principal at the end of the term.

Principal prepayments may be made in whole or in part at any time during the term of a Loan, subject to the payment of any early repayment charges (as described in “*Description of the Loans—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 instruction from a bank or building society account,
- standing order from a bank or building society account, and
- payments made at TSB Bank branches.

Interest payments and interest rate setting

The Seller has responded to the competitive mortgage market by developing a range of products with special features that are used to attract new borrowers and retain existing customers. Interest on the Loans is charged on one of the following bases and the Seller is able to combine these to suit the requirements of the Borrower:

- **Discretionary Rate Loans** are loans subject to one of the Seller’s Discretionary Rates, including the Homeowner Variable Rate, which is the Seller’s current reversionary rate. The Seller may introduce other Discretionary Rates in the future. Discretionary Rates are currently only available to customers at the end of a fixed or tracker mortgage product.
- **Fixed Rate Loans** are loans which are subject to a fixed rate of interest for a specified period of time, usually for 2, 3, 5, 7 or 10 years.
- **Tracker Rate Loans** are loans which are subject to a variable interest rate linked to the Bank of England Base Rate plus or minus a margin, either for an initial fixed period or for the life of the loan. The percentage margin may be fixed for the entire tracker rate period or it may vary.
- **Discounted Variable Rate Loans** are loans which allow the borrower to pay interest at a specified discount to the applicable Discretionary Rate.

The Standard Variable Rate, the Discretionary Rate applicable to Discounted Variable Rate Loans and some tracker rates may apply for the life of the Loan. Otherwise, each of the above rates is offered for a predetermined period, usually between 2 and 10 years, at the commencement of the Loan (the **Product Period**). At the end of the Product Period the rate of interest charged will either (a) move to some other interest rate type for a predetermined period or (b) revert to a Discretionary Rate. The Standard Variable Rate is capped at 2.0 per cent. above the Bank of England Base Rate but otherwise administered, at the discretion of the Seller, by reference to the general level of interest rates and competitive forces in the UK mortgage market. In certain instances, early repayment charges are payable by the Borrower if the Loan is redeemed within the Product Period. See “*Description of the Loans—Early repayment charges*” below.

All loans originated by TSB Bank and its predecessors since 2003 have featured interest calculated on a daily basis rather than on an annual basis. Any payment by the Borrower will immediately reduce the Borrower’s balance on which interest will be calculated the following day. Prior to this date, all mortgage products had carried interest calculated on an annual basis. Borrowers with existing loans on which interest is calculated on an annual basis are able to change and have their interest calculated on a daily basis, subject to the terms and conditions of their existing loan and to the borrower entering into an agreement. If a Borrower with a loan on which annual interest is calculated wishes to take a further advance, the interest on the existing loan must be switched to a daily interest basis. TSB Bank does not normally permit a mix of daily and annual interest calculation on loans.

Except in limited circumstances as set out in “*The Servicing Agreement—Covenants of the Servicer*”, the Servicer is responsible for setting the applicable Discretionary Rate on the Loans in the Portfolio as well as on any new Loans that are sold to the Issuer. Under the general loan conditions applicable to the Loans (the **Loan Conditions**), the Seller may change the interest rate at any time at its discretion subject to the provisions of the relevant Loan Conditions. If the Seller wishes to increase the interest rate it must first give notice to the Borrower of the increase. The Borrower may then repay the Loan without paying interest at the increased rate if the Borrower provides at least seven days’ notice of the intention to repay and no later than three months after the Seller gives the notice of the increase the Borrower repays the Loan (or the part of it which is affected by the increase) together with any early repayment charge and any unpaid interest and expenses.

During the course of its mortgage origination business, the Seller has originated mortgage loans under a number of standard conditions which have been sequentially superseded by the **2013 Loan Conditions**. The 2013 Loan Conditions represent the current origination policy of the Seller and dictate the specified reasons to change the interest rate. The 2013 Loan Conditions set out the current policy of the Seller in this regard, such policy applying equally to the treatment of all mortgage loans of the Seller, regardless of the date of origination.

Early Repayment Charges

The Borrower may be required to pay an early repayment charge (the **Early Repayment Charge**), if certain events occur during the predetermined Product Period and the loan agreement states that the Borrower is liable for Early Repayment Charges and the Seller 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 Seller 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 a repayment fee based on a percentage of the amount repaid or switched to another product. If the Borrower has more than one product attached to the mortgage, the Borrower may choose under which product the principal should be allocated.

The Seller currently permits Borrowers to repay up to 10 per cent. of the loan balance each year (based on the loan balance as at a specified date of the year) without having to pay an Early Repayment Charge. If the mortgage is made up of more than one loan or part, each is treated separately so that if one or more of them has an early repayment, the Borrower can repay up to 10 per cent. on each. For example, if the total mortgage is £60,000 made up of two loans of £30,000 and one of them carried an Early Repayment Charge, then the Borrower can repay up to £3,000 of that loan (i.e. 10 per cent.) without charge. If the Borrower repays £7,000 of it (more than 10 per cent.) then the Early Repayment Charge will apply but only to the amount the Borrower repays above 10 per cent. However, if the Borrower pays up to 10 per cent. and then repays the remainder of the loan within six months the Early Repayment Charge will also be charged on the 10 per cent. initially repaid by the Borrower. The Seller currently has a policy not to charge the Early Repayment Charge in certain circumstances, for example if the repayment is due to the death of the Borrower.

If the Borrower repays its mortgage during an Early Repayment Charge period to move house, the Borrower may not have to pay the charge if the Borrower takes out a new loan for the new home with the Seller, subject to certain qualifying criteria.

Some mortgage products do not include any provisions for the payment of an Early Repayment Charge by the Borrower.

Overpayments and Underpayments

All loans are subject to a range of options, selected by the Borrower, that give the Borrower greater flexibility in the timing and amount of payments under each loan. The Loans may offer one or more of the features described below, subject to certain conditions and financial limits:

Overpayments – Borrowers may either increase their regular Monthly Payments above the normal Monthly Payment then applicable or make lump sum payments at any time.

Borrowers with interest calculated annually who make an Overpayment may choose whether such Overpayment is to be treated as a repayment of principal or as a credit to be carried forward against future scheduled instalments. If the Borrower elects for such Overpayment to be applied as a principal repayment then interest on the remaining principal outstanding balance of the loan is recalculated as from the date of receipt of such repayment. If the customer elects to apply such Overpayment towards scheduled instalments, interest is recalculated. In cases where a customer does not specify how any repayment they may make is to be applied, Overpayments of an amount of less than £1,000 are generally treated as credits towards scheduled instalments.

If Borrowers with daily calculations of interest pay more than the scheduled Monthly Payment, the balance on their mortgage loan will be reduced. The Seller will charge interest on the reduced balance, which reduces the amount of interest the Borrower must pay.

Any Overpayments may be applied by the Borrowers either towards repayment of principal or towards the repayment of their monthly repayment, as they may decide in line with the policies of the Seller described above.

Underpayments – where Borrowers have previously overpaid, they may reduce their Monthly Payments below the amount of the applicable Monthly Payment or make an irregular underpayment. Borrowers are not permitted to make Underpayments that exceed the total of previous Overpayments less the total of previous Underpayments.

Payment Holidays – Borrowers may apply for a break from making Monthly Payments, normally up to an aggregate of 6 months over the life of the Mortgage Loan; approval of such application and the determination of such period are at the discretion of the Seller who makes such a decision or approval based on a number of qualifying conditions including the following (among others):

- A maximum LTV of 75 per cent when the repayment holiday is granted;
- The Mortgage Loan must have been open for at least 12 months with no further borrowing in the last 6 months; and
- The account must not be in arrears at the time of the application or have had any historic arrears on the account (in the last 12 months).

Further Advances

If a Borrower wishes to take out a further loan secured by the same mortgage or standard security, the Borrower will need to make a Further Advance application and the Seller will use the lending criteria applicable to Further Advances at that time in determining whether to approve the application. The original mortgage deed or standard security is expressed to cover all amounts due under the relevant loan which would cover any Further Advance. All Further Advances require the postponement of any second charge or standard security.

Some Loans in the Initial Portfolio may have Further Advances made on them prior to their being sold to the Issuer on the Closing Date and new Loans added to the Portfolio in the future may have had Further Advances made on them prior to their being sold to the Issuer on the applicable Sale Date.

Product Switches

From time to time, Borrowers may request or the Servicer may send an offer of a variation in the financial terms and conditions applicable to the Borrower's loan. If a Loan is subject to a Product Switch as a result of a variation, then the Seller may be required to repurchase the Loan or Loans and their Related Security from the Issuer.

In certain circumstances, if the Seller is notified that a Borrower, following the making of the Loan, intends to let or sub-let their property, the Seller would note the fact on its records as a Product Switch.

Origination Channels

The Seller currently derives its mortgage-lending business from the following sources: branches, intermediation, telephony and internet

Once an application for a mortgage loan is received from a prospective new customer (through whichever origination channel) it is processed by the channel staff and the servicer's New Business Department. The details of the application are entered into the Servicer's relevant computer system, and arrangements are made to obtain such references and/or other proof of income, valuation, survey or other evidence of value (if any and as appropriate) that may be required by the Seller under its lending policy. A mortgage offer may then be issued to the prospective new customer and instructions are despatched to the relevant solicitor or licensed conveyancer to investigate title and issue a report on the same to the Seller. Once a satisfactory report on title has been received (if appropriate) and no other matters in relation to the application are outstanding, mortgage funds can be released to the solicitor or licensed conveyancer.

The Seller is subject to the FSMA, MCOB (and other FCA rules) and the Financial Ombudsman Service, which is a statutory scheme under the FSMA.

Underwriting

The Seller's underwriting approach has changed over time. Loans in the Portfolio may have been originated in accordance with different underwriting criteria from those set out here, depending on their date of origination. The Seller currently adopts a system based approach to lending assessment. This assessment is made with reference to three independent components:

- (a) Credit score: calculation of propensity to default based on a combination of customer supplied, internal performance and credit bureau data;
- (b) Affordability: calculation of an individualised lending amount that reflects the applicant's income net of tax, credit commitments and assumed living expenses, which vary according to income, number of applicants and dependants; and
- (c) Policy rules: a range of automated rules to decline applications outside lending criteria.

The lending system returns a decision categorised into "accept", "refer" and "decline". Mortgage underwriting decisions are subject to internal monitoring by the Seller, using a risk-based model, in order to ensure the Seller's procedures and policies regarding underwriting are being followed by staff.

Lending Criteria

On the Closing Date and on each Sale Date, the Seller has represented, or shall represent, that each Loan being sold to the Issuer was originated according to the lending criteria of the Seller at the time the Loan was offered (the **Lending Criteria**), which included some or all of the criteria set out in this section, in all material respects, subject only to exceptions made on a case-by-case basis as would be acceptable to a Reasonable Prudent Mortgage Lender. New Loans may only be included in the Portfolio and sold to the Issuer if they are originated in accordance with the lending criteria applicable at the time the loan is offered and if the conditions set out in "*Mortgage Sale Agreement—Sale and Purchase of Portfolio*" and "*Mortgage Sale Agreement—Sale and Purchase of New Portfolios*" have been satisfied. However, the Seller retains the right to revise its lending criteria from time to time, so the criteria applicable to new Loans may not be the same as those currently used. Some of the factors currently used in making a lending decision are as follows:

1. Type of property

Properties may be either freehold or the Scottish equivalent or leasehold or commonhold. In the case of leasehold properties, there must be at least 70 years left on the lease at the inception of the mortgage. This can be overridden with relevant underwriting approval. The property must be used solely as a single residential dwelling, although second homes and holiday homes are considered. Properties must be of good quality, in sound structural condition and in a reasonable state of repair. House boats, mobile homes, and any property on which buildings insurance cannot be arranged are not acceptable. All persons who are to be legal owners of the property on completion must be named as borrowers under the mortgage.

All Properties have either been valued by a valuer approved by the Seller or assessed using automated valuation models or other evidence, including the relevant Borrower's estimate of value, to the standards of a Reasonable Prudent Mortgage Lender (as referred to under "*Servicing Agreement—Covenants of the Servicer*"). The valuations are made at the date of origination of the relevant Loan.

2. Term of loan

The maximum term on home purchase loans is generally 40 years for all Loans (although longer terms have been granted on a case by case basis in exceptional cases only). A repayment period for a Further Advance that would extend beyond the term of the original advance may also be accepted at the Seller's discretion.

If the customer requests to increase the term of the existing loan, the maximum term for a repayment is generally 40 years from the date of the term change (or less if the borrower will be 75 before the end of the extended term).

3. Age of applicant

All Borrowers must be aged 18 or over and the mortgage term must normally end before the Borrower reaches 75. If the term of the mortgage exceeds the lower of the borrower's state pension age or anticipated retirement age, the Seller will consider the Borrower's income in retirement. If the Seller determines the Borrower will not be able to afford the mortgage into retirement, the application will be declined.

4. Loan-to-value (or LTV) ratio

The maximum LTV offered for mainstream lending is 95 per cent., although higher LTV lending has historically been offered. Where fees are added to the loan, they may have taken the total lending over the specified LTV limit.

When the Seller makes a loan on a property which requires repairs, the property is either valued on a "when done" basis and part of the loan retained until works have been completed, or if the property is acceptable security in its existing condition, it may be valued on that basis and the loan released prior to works commencing.

5. Status of applicant(s)

Lending assessment is made using an automated decisioning system supported by a team of underwriters.

Employed applicant(s)

The lending is assessed on current basic annual income, other income and future retirement income (where applicable). (Applicants who have more than a 25 per cent. shareholding in their employer or joint applicants with more than a combined 25 per cent. shareholding in their employers are treated as if self-employed).

Basic annual income consists of gross basic pay, car allowance, large town allowance, London weighting/cost of living supplement, private pension and flexible benefits. 100 per cent. of these items is used within the affordability calculation.

Other income includes overtime, bonus and commission payments, disability living allowance, maintenance payments and child benefit. As a general rule, less than 100 per cent. of these items may be used in the affordability calculation.

Underwriters have discretion to accept other income.

Self-employed Applicant(s)

Normally such applicants must have been self-employed for at least two years. Underwriters may accept less within their discretion.

Underwriters have discretion to accept other income.

6. Credit history

Credit search

A credit search is carried out in respect of all new applicants including further lending. Applications may be declined where an adverse credit history (for example, county court judgment, Scottish court decree for payment, default, or bankruptcy notice) is revealed or the score does not meet the required risk/reward trade-off.

7. Proof of income

Income verification can be obtained via various means including payslips, bank statements, employers reference, accountants reference or Inland Revenue Self-Assessment forms for self-employed customers. The use of internal bank account data may also be used to verify income, subject to meeting criteria requirements.

Historically, the Seller has waived income verification for certain customers, under the “fast track” process based upon the applicant’s credit score among other factors.

8. Scorecard

The Seller uses some of the criteria described here and various other criteria to produce an overall score for the application that reflects a statistical analysis of the risk of advancing the loan. The lending policies and processes are determined centrally to ensure consistency in the management and monitoring of credit risk exposure. Full use is made of software technology in credit scoring new applications. Credit scoring applies statistical analysis to publicly available data and customer-provided data to assess the likelihood of an account going into arrears.

The Seller reserves the right to decline an application that has received a passing score. The Seller does have an appeals process if a potential borrower believes his or her application has been unfairly denied. It is the Seller’s policy to allow only authorised individuals to exercise discretion in granting variances from the scorecard.

Changes to the Underwriting Policies and the Lending Criteria

The Seller’s underwriting policies and Lending Criteria are subject to change within the Seller’s sole discretion. New Loans and Further Advances that are originated under Lending Criteria that are different from the criteria set out here may be sold to the Issuer.

Insurance Policies

Insurance on the Property

Each mortgaged property is required to be insured with buildings insurance. The insurance may be purchased by the Borrower or landlord or property management company (in the case of a leasehold property). If the Seller becomes aware that no adequate insurance is in place, it has the power to arrange insurance on the property and charge the premiums for this to the Borrower’s mortgage account.

Subject as set out above, the Seller only insures a property once it has repossessed the property from a defaulting Borrower. See “—*Properties in possession cover*” below.

Borrower-arranged Buildings Insurance

The Seller currently sells home insurance policies of a third party provider. A Borrower may elect not to take up such an insurance policy, or a Borrower who originally had such a policy may elect to insure the property with an independent insurer. The Seller requires that any borrower-arranged insurance policy be drawn in the joint names of the Seller and all of the applicants and be maintained in their joint names for the duration of the mortgage. If this is not possible, for example because the property is leasehold and the lease provides for the landlord to insure, the Borrower must arrange for the Seller’s interest to be noted on the landlord’s policy. The Seller also requires that the sum insured be for an amount not less than the full reinstatement value of the property, that the Borrower inform the Seller of any damage to the property that occurs and that the Borrower make a claim under the insurance for any damages covered by it unless the Borrower makes good the damage.

Properties in Possession Cover

When a mortgaged property is taken into possession by the Seller, the Seller takes the necessary actions to ensure that the property is placed on to its block properties in possession insurance policy so that appropriate insurance cover is provided on the property. The Seller may claim under this policy for any damage occurring to the property while in the Seller's possession.

The Seller has procured the agreement of HDI Gerling to the inclusion of the Issuer as insured under the properties in possession cover from the Closing Date. To the extent that any insurance proceeds are received by the Servicer, it will agree to pay these into the Issuer Transaction Account.

In the Mortgage Sale Agreement, the Seller agrees to make and enforce claims under the relevant policies and to hold the proceeds of claims on trust for the Issuer or as the Issuer may direct.

Title Insurance

The Seller currently only accepts title insurance in respect of certain limited title defects (e.g. restrictive covenants) and not *in lieu* of an investigation of title. This policy may change from time to time. There will be no Loans in the Portfolio in respect of which no investigation of title has been undertaken (other than where Loans were originated pursuant to certain remortgage practices within TSB Bank's lending policies, whether or not title insurance has been obtained).

Arrears Policy

The Seller identifies a Loan as being in arrears where an amount equal to or greater than a full month's contractual payment is past its due date and has not been paid by the Borrower. If a Borrower has not made a contractual payment within a month and a day of the date on which it became due and payable, that Borrower will receive an initial arrears letter from the Seller.

The Seller will attempt to contact the relevant Borrower by telephone and/or letter if such payments remain unpaid with a view to establishing the Borrower's circumstances and agreeing an arrangement to return the account to order, where possible. Arrears counselling may also be offered. Where a satisfactory arrangement cannot be reached or maintained, possession proceedings may be instigated to enable the Seller to enforce its security.

Material Legal Aspects of the Loans

The following discussion is a summary of the material legal aspects of English and Scottish residential property loans and mortgages. It is not an exhaustive analysis of the relevant law. Each of the English Loans is governed by English law and each of the Scottish Loans is governed by Scots law.

English loans

General

As at the Reference Date, 86.24 per cent. of the Loans comprised in the Provisional Portfolio are secured by an English Mortgage.

Each English loan will be secured by an English mortgage which has a first ranking priority over all other mortgages secured on the property and over all unsecured creditors of the borrower. Borrowers may create a subsequent mortgage or other secured interest over the relevant property without the consent of the seller, though such other mortgage or interest will rank below the seller's mortgage in priority.

Nature of property as security

There are two forms of title to land in England and Wales: registered and unregistered. Both systems of title can include both freehold and leasehold land.

Registered title

Title to registered land is registered at the Land Registry. Each parcel of land is given a unique title number. Prior to 13 October 2003 title to the land was established by a land certificate or (in the case of land which is subject to a mortgage or charge) charge certificate containing official copies of the entries on the register relating to that land, however, pursuant to the Land Registration Act 2002 which came into force on 13 October 2003 the provision of land certificates and charge certificates has now been abolished. Title to land and any mortgage is now established by reference to entries on the Land Register, which is held electronically so that no paper title document is issued.

There are four classes of registered title although generally only two of these (absolute and good leasehold) will be acceptable as good for mortgage purposes). A person registered with title absolute owns the land free from all interests other than those entered on the register and certain “overriding” interests (in the case of good leasehold title, ownership is also subject to any matters affecting freehold or leasehold title out of which the land is granted).

Title information documents provided by the Land Registry will reveal the present owner of the land, together with any legal charges and other interests affecting the land. However, the Land Registration Act 2002 provides that some interests in the land will bind the land even though they are not capable of registration at the Land Registry such as unregistered interests which override first registration and unregistered interests which override registered dispositions. The title information documents will also contain a plan indicating the location of the land. However, these plans may not be conclusive as to matters such as the precise location of boundaries.

Unregistered title

Since November 1997 all land in England and Wales has been subject to compulsory registration on the happening of any of a number of trigger events, which include the granting of a first legal mortgage. This means that, in the case of all mortgages granted since November 1997, the title to the property and the mortgage itself must (if not already done so) be registered.

Taking security over land

Where land is registered, a mortgagee must register its mortgage at the Land Registry in order to secure priority over any subsequent mortgagee. Prior to registration, the mortgage will take effect only as an equitable mortgage or charge. Priority of mortgages over registered land is governed by the date of registration of the mortgage rather than date of creation. However, a prospective mortgagee is able to obtain a priority period within which to register his mortgage by undertaking an official search which will afford a priority of approximately six weeks. If the mortgagee submits a proper application for registration during this period, its interest will take priority over any other mortgage application for registration which is received by the Land Registry during this period.

The absence of registration will risk loss of priority if a subsequent mortgage is registered, and will create difficulties in enforcing security in that it is usually necessary for registration to be effected in order to convey good title to a third party buyer. However, where a subsequent mortgagee gives notice of a further charge over the same property to a prior mortgagee, the priority of the prior mortgagee only extends to amounts advanced at or before the time such notice is received, unless the prior mortgagee is under a legal obligation to make further advances and that obligation is noted on the Land Register.

The seller as mortgagee

The sale of the English Mortgages by the Seller to the Issuer will take effect in equity only. The Issuer will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the mortgages. The consequences of this are explained in “*Risk Factors—Certain Legal and Regulatory Considerations—Seller to Initially Retain Legal Title to the Loans*” above.

Enforcement of mortgages

If a borrower defaults under an English loan, the English mortgage conditions provide that all monies under the English loan will become immediately due and payable. The Seller or its successors or assigns would then be entitled to recover all outstanding principal, interest and fees under the covenant of the Borrower

contained in the English Mortgage conditions to pay or repay those amounts. In addition, the Seller or its successors or assigns may enforce its English Mortgage in relation to the defaulted Loan. Enforcement may occur in a number of ways, including the following:

- The mortgagee may enter into possession of the property. If it does so, it does so in its own right and not as agent of the mortgagor, and so may be personally liable for mismanagement of the property and to third parties as occupier of the property.
- The mortgagee may lease the property to third parties.
- The mortgagee may foreclose on the property. Under foreclosure procedures, the mortgagor's title to the property is extinguished so that the mortgagee becomes the owner of the property. The remedy is, because of procedural constraints, rarely used.
- The mortgagee may sell the property, subject to various duties to ensure that the mortgagee exercises proper care in relation to the sale. This power of sale arises under the Law of Property Act 1925. The purchaser of a property sold pursuant to a mortgagee's power of sale becomes the owner of the property.

A court order under section 126 of the CCA is necessary to enforce a land mortgage in certain circumstances as described under "*Risk factors—Certain Legal and Regulatory Considerations—Office of Fair Trading, Financial Conduct Authority and Other Regulatory Authorities*" and "*—FCA Regulation of Mortgage Business*" above.

Scottish Loans

General

As at the Reference Date, 13.76 per cent. of the Loans comprised in the Provisional Portfolio are secured by a Scottish Mortgage.

A standard security is the only means of creating a fixed charge over heritable or long leasehold property in Scotland. Its form must comply with the requirements of the Conveyancing and Feudal Reform (Scotland) Act 1970 (the **1970 Act**). The standard security is granted by the grantor, who is usually the borrower and home-owner, over their property and is granted in favour of the heritable creditor who is usually the lender. Each Scottish Loan in relation to a Property located in Scotland will be secured by a standard security which has a first ranking priority over all other standard securities secured on the property and over all unsecured creditors of the borrower. If a Borrower of such a Scottish Loan (a **Scottish Borrower**) creates a subsequent standard security over the relevant Property in favour of a third party, upon intimation of that subsequent standard security to the Seller (in its capacity as trustee for the Issuer pursuant to the relevant Scottish Declaration of Trust granted by the Seller in favour of the Issuer), the prior ranking of the Seller's standard security would be restricted to security for advances made prior to such intimation, plus advances made subsequent to such intimation which the Seller is obliged to advance under the terms of the relevant Scottish Loan, plus interest and expenses in respect thereof.

The 1970 Act automatically imports a statutory set of "Standard Conditions" into all standard securities, although the majority of these may be varied by agreement between the parties. The Seller, along with most major lenders in the residential mortgage market in Scotland, has elected to vary the Standard Conditions by means of its own set of Scottish mortgage conditions, the terms of which are in turn imported into each standard security. The main provisions of the Standard Conditions which cannot be varied by agreement relate to enforcement, and in particular the notice and other procedures that require to be carried out as a preliminary to the exercise of the heritable creditor's rights on a default by the borrower.

Nature of Property as Security

While title to all land in Scotland is registered there are currently two possible forms of registration, namely the Land Register of Scotland and General Register of Sasines. Both systems of registration can include both heritable (the Scottish equivalent to freehold) and long leasehold land.

Land Register of Scotland

This system of registration was originally established by the Land Registration (Scotland) Act 1979 and now applies to the whole of Scotland. Any sale of land (including a long leasehold interest in land) the title to which has not been registered in the Land Register of Scotland or the occurrence of certain other events in relation thereto triggers its registration in the Land Register of Scotland, when it is given a unique title number. Title to the land and the existence of any standard security over it are established by the entries on the Land Register of Scotland relating to that land. A person registered in the Land Register of Scotland owns the land free from all interests other than those entered on the Register, those classified as overriding interests and any other interests implied by law.

The relevant Land Register of Scotland entries and title sheet will reveal the present owners of land, together with any standard securities and other interests (other than certain overriding interests and any other unregistered interests implied or created by law) affecting the land. They will also contain a plan indicating the location of the land.

General Register of Sasines

Title to all land in Scotland where no event has yet occurred to trigger registration in the Land Register of Scotland is recorded in the General Register of Sasines. Title to such land is proved by establishing a chain of documentary evidence of title going back at least ten years. Where the land is affected by third party rights, some of those rights can be proved by documentary evidence or by proof of continuous exercise of the rights for a prescribed period and do not require registration. However, other rights (including standard securities) would have to be recorded in the Sasine Register in order to be effective against a subsequent purchaser of the land. Any new standard security granted after 1 April 2016 will include first registration of the underlying title to land; this would apply to any standard security but not to an assignment of standard security.

Taking Security Over Land

A heritable creditor must register its standard security in the Land Register of Scotland in order to perfect its security and secure priority over any subsequent standard security. Until such registration occurs, a standard security will not be effective against a subsequent purchaser or the heritable creditor under another standard security over the property. Priority of standard securities is (subject to express agreement to the contrary between the security holders) governed by the date of registration rather than the date of execution.

The Seller as Heritable Creditor

The sale of the Scottish Loans by the Seller to the Issuer will be given effect by the Scottish Declarations of Trust by which the beneficial interest in the Scottish Loans is held in trust by the Seller for the benefit of the Issuer. Such beneficial interest (as opposed to the legal title) cannot be registered with the Registers of Scotland. The consequences of this are explained in the section "*Risk Factors—Portfolio—Seller to Initially Retain Legal Title to the Loans*".

Enforcement of Scottish Mortgages

If a Scottish Borrower defaults under a Scottish Loan, the Scottish Loan mortgage conditions provide that all monies under the loan will become immediately due and payable. The Seller or its successors or assignees would then be entitled to recover all outstanding principal, interest and fees under the obligation of the borrower contained in the Scottish mortgage conditions to pay or repay those amounts. In addition, the Seller or its successors or assignees may enforce its standard security in relation to the defaulted loan although reasonable steps must be taken to agree proposals with the borrower. Enforcement may occur in a number of ways, including the following (all of which arise under the 1970 Act):

- The heritable creditor may enter into possession of the property. If it does so, it does so in its own right and not as agent of the borrower, and so may be personally liable for mismanagement of the property and to third parties as occupier of the property.
- The heritable creditor may sell the property, subject to various duties to ensure that the sale price is the best that can reasonably be obtained. The purchaser of the property sold pursuant to a heritable creditor's power of sale becomes the owner of the property.

- The heritable creditor may, in the event that a sale cannot be achieved, foreclose on the property. Under foreclosure procedures the borrower's title to the property is extinguished so that the heritable creditor becomes the owner of the property. The remedy is however rarely used.

In contrast to the position in England and Wales, the heritable creditor has no power to appoint a receiver under the standard security.

There is a requirement for a court order to enforce a standard security securing a loan to the extent that the credit agreement is regulated by the CCA or treated as such or, on and form N(M), is a Regulated Mortgage Contract that would otherwise be regulated by the CCA or treated as such. See further "*Risk Factors—Certain Regulatory Considerations—Office of Fair Trading, Financial Conduct Authority and Other Regulatory Authorities*" and "*—Consumer Credit Act and Reform*".

Borrower's Right of Redemption

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any standard security over residential property has an absolute right, on giving appropriate notice, to redeem that standard security once it has subsisted for a period of 20 years, subject only to the payment of certain sums specified in Section 11 of that Act. These specified sums consist essentially of the principal monies advanced by the lender, interest thereon and expenses incurred by the lender in relation to that standard security.

CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this Prospectus has been compiled by reference to the Loans in the Provisional Portfolio as at 29 February 2016 (the **Reference Date**). Columns may not add up to 100 per cent. due to rounding. The Initial Portfolio, which will be sold to the Issuer on the Closing Date, will be randomly selected from the Provisional Portfolio on the Closing Date. A Loan will be removed from the Provisional Portfolio or the Initial Portfolio, as applicable, if in the period from (and including) the Reference Date up to (but excluding) the Closing Date such Loan is repaid in full or if such Loan does not comply with the Loan Warranties on the Closing Date. Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Reference Date, which includes all Principal and Accrued Interest for the Loans in the Provisional Portfolio.

The Provisional Portfolio as at the Reference Date consisted of 69,057 Loans which form 30,304 Mortgage Accounts originated by the Seller or its predecessors or acquired by the Seller pursuant to a transfer under Part VII of the Financial Services and Markets Act 2000 and transferred to the Issuer and secured over properties located in England, Wales and Scotland, having an aggregate Current Balance of £3,754,095,432.42. The Loans in the Provisional Portfolio at the Reference Date were originated between 2000 and 2016.

The characteristics of the Initial Portfolio will differ from that set out below as a result of, *inter alia*, the random selection from the Provisional Portfolio, repayments and redemptions of the Loans from the Reference Date to the Closing Date and removal of any Loans which are repaid in full or which do not comply with the Loan Warranties on the Closing Date as described above. The Seller believes that the information in this Prospectus with respect to the Provisional Portfolio is representative of the characteristics of the Loans comprising the Portfolio that will be randomly selected on the Closing Date, although the portfolio averages and numerical data relating to the distribution of the Loans may vary within a range of plus or minus 5 per cent.

Current Balances as at the Reference Date

The following table shows the range of Mortgage Account Current Balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the Reference Date.

Range of Current Balances* (£)	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0.00 to 49,999.99.....	189,060,357.19	5.04	5,735	18.92
50,000.00 to 99,999.99.....	742,255,504.83	19.77	9,945	32.82
100,000.00 to 149,999.99.....	845,010,411.01	22.51	6,884	22.72
150,000.00 to 199,999.99.....	598,394,297.88	15.94	3,473	11.46
200,000.00 to 249,999.99.....	370,330,626.97	9.86	1,664	5.49
250,000.00 to 299,999.99.....	247,665,084.98	6.60	906	2.99
300,000.00 to 349,999.99.....	161,362,565.12	4.30	502	1.66
350,000.00 to 399,999.99.....	134,538,573.64	3.58	360	1.19
400,000.00 to 449,999.99.....	99,467,845.45	2.65	235	0.78
450,000.00 to 499,999.99.....	72,091,814.77	1.92	151	0.50
500,000.00 to 549,999.99.....	59,218,955.94	1.58	113	0.37
550,000.00 to 599,999.99.....	46,614,368.70	1.24	81	0.27
600,000.00 to 649,999.99.....	38,539,345.11	1.03	62	0.20
650,000.00 to 699,999.99.....	37,585,011.35	1.00	56	0.18
700,000.00 to 749,999.99.....	26,614,068.28	0.71	37	0.12
750,000.00 to 799,999.99.....	18,488,888.16	0.49	24	0.08
800,000.00 to 849,999.99.....	24,673,814.62	0.66	30	0.10
850,000.00 to 899,999.99.....	17,553,236.31	0.47	20	0.07
900,000.00 to 949,999.99.....	12,958,869.87	0.35	14	0.05
950,000.00 to 999,999.99.....	11,671,792.24	0.31	12	0.04
Totals	3,754,095,432.42	100.00	30,304	100.00

* Includes capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and average Current Balance of the Mortgage Accounts as at the Reference Date were £992,480.20, £10,000.78 and £123,881.19, respectively.

Loan to Value Ratios at Origination

The following table shows the range of **LTV Ratios** at origination, which express the outstanding balance of the aggregate of Loans in the Mortgage Accounts (which incorporate all Loans secured on the same Property) based on the original amount advanced on the date of origination of the Loan divided by the value of the Property securing the Loans in the Mortgage Account as at that date (on the basis of a valuation on or about the date of origination). The Seller has not revalued any of the Properties for the purposes of the issue of the Notes.

Range of LTV Ratios at origination*	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0.00 to 29.99.....	134,606,497.40	3.59	2,578	8.51
30.00 to 34.99.....	72,846,994.60	1.94	1,043	3.44
35.00 to 39.99.....	83,202,611.20	2.22	971	3.20
40.00 to 44.99.....	124,496,468.42	3.32	1,358	4.48
45.00 to 49.99.....	137,874,047.90	3.67	1,370	4.52
50.00 to 54.99.....	187,073,069.34	4.98	1,682	5.55
55.00 to 59.99.....	237,629,772.42	6.33	1,903	6.28
60.00 to 64.99.....	207,581,410.87	5.53	1,649	5.44
65.00 to 69.99.....	236,390,466.63	6.30	1,812	5.98
70.00 to 74.99.....	464,117,577.83	12.36	3,154	10.41
75.00 to 79.99.....	458,165,591.09	12.20	3,012	9.94
80.00 to 84.99.....	449,401,319.23	11.97	3,042	10.04
85.00 to 89.99.....	465,644,868.81	12.40	3,093	10.21
90.00 to 94.99.....	495,064,736.68	13.19	3,637	12.00
95.00 to 99.99.....	0	0.00	0	0.00
Totals	3,754,095,432.42	100.00	30,304	100.00

* Excluding capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and weighted average LTV Ratio as at the Reference Date of the Mortgage Accounts in the Provisional Portfolio were 94.99 per cent., 0.12 per cent. and 70.28 per cent., respectively.

Reference Date Indexed Loan to Value Ratios

The following table shows the range of Indexed LTV Ratios, which are calculated by dividing the Current Balance of a Mortgage Account as at the Reference Date by the Indexed valuation of the Property securing that Mortgage Account at the Reference Date. Where the Seller has revalued any of the Properties after the date of origination of the original Loan, the revised valuation will be used in formulating the Indexed valuation. The Seller has not revalued any of the Properties for the purposes of the issue of the Notes.

Range of Indexed LTV Ratios as at the Reference Date*	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0.00 to 29.99.....	315,828,495.01	8.41	5,642	18.62
30.00 to 34.99.....	150,452,367.05	4.01	1,586	5.23
35.00 to 39.99.....	174,611,916.24	4.65	1,710	5.64
40.00 to 44.99.....	205,553,079.19	5.48	1,777	5.86
45.00 to 49.99.....	258,883,835.25	6.90	2,025	6.68
50.00 to 54.99.....	287,516,118.43	7.66	2,145	7.08
55.00 to 59.99.....	342,298,353.28	9.12	2,396	7.91
60.00 to 64.99.....	296,266,671.19	7.89	2,140	7.06
65.00 to 69.99.....	323,405,703.81	8.61	2,186	7.21
70.00 to 74.99.....	410,254,720.35	10.93	2,516	8.30
75.00 to 79.99.....	328,063,880.34	8.74	2,030	6.70
80.00 to 84.99.....	254,872,053.67	6.79	1,537	5.07
85.00 to 89.99.....	263,639,524.01	7.02	1,629	5.38
90.00 to 94.99.....	142,327,274.24	3.79	984	3.25
95.00 to 99.99.....	121,440.36	0.00	1	0.00
Totals	3,754,095,432.42	100.00	30,304	100.00

* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and weighted average LTV Ratio as at the Reference Date of all the Mortgage Accounts (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) were 95.00 per cent., 0.69 per cent. and 60.37 per cent., respectively.

Geographical Distribution

The following table shows the distribution of Properties securing the Mortgage Accounts throughout England, Wales and Scotland as at the Reference Date. No such properties are situated outside England, Wales or Scotland.

Region	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
East Anglia.....	135,285,275.38	3.60	1,098	3.62
East Midlands	184,623,385.83	4.92	1,740	5.74
Greater London	639,643,359.65	17.04	2,399	7.92
North	142,498,727.31	3.80	1,617	5.34
North West.....	321,679,125.16	8.57	3,152	10.40
Scotland.....	516,672,510.93	13.76	6,408	21.15
South East	749,173,631.35	19.96	4,229	13.96
South West	395,790,265.35	10.54	3,037	10.02
Wales.....	101,439,759.41	2.70	1,065	3.51
West Midlands	318,527,756.75	8.48	3,002	9.91
Yorkshire & Humberside.....	248,761,635.30	6.63	2,557	8.44
Totals	3,754,095,432.42	100.00	30,304	100.00

Seasoning of Loans

The following table shows the number of months since the date of origination of the Loan. The ages of the Loans in this table have been taken as at the Reference Date.

Seasoning Band (months)	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Loans	% of Total
0.00 to 11.99.....	1,800,348,714.07	47.96	21,885	31.69
12.00 to 23.99.....	244,502,448.13	6.51	4,088	5.92
24.00 to 35.99.....	219,552,841.18	5.85	4,524	6.55
36.00 to 47.99.....	351,869,283.03	9.37	8,152	11.80
48.00 to 59.99.....	219,311,364.77	5.84	5,448	7.89
60.00 to 71.99.....	154,010,506.29	4.10	3,607	5.22
72.00 to 83.99.....	131,450,771.55	3.50	3,324	4.81
84.00 to 95.99.....	227,861,578.07	6.07	5,219	7.56
96.00 to 107.99.....	161,610,888.02	4.30	4,315	6.25
108.00 to 119.99.....	95,139,510.26	2.53	2,794	4.05
120.00 to 131.99.....	69,593,259.84	1.85	2,201	3.19
132.00 to 143.99.....	36,335,633.64	0.97	1,411	2.04
144.00 to 155.99.....	21,302,749.04	0.57	1,005	1.46
156.00 to 167.99.....	13,188,199.79	0.35	637	0.92
168.00 to 179.99.....	3,970,724.62	0.11	220	0.32
180.00 to 191.99.....	4,041,362.11	0.11	223	0.32
Equal to and greater than 192.00.....	5,598.01	0.00	4	0.01
Totals	3,754,095,432.42	100.00	69,057	100.00

The maximum, minimum and weighted average seasoning of Loans in the Provisional Portfolio as at the Reference Date was 192.39, 0.00 and 36.07 months, respectively.

Years to Maturity of Loans

The following table shows the number of remaining years of the term of the Loan as at the Reference Date.

Years to Maturity	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Loans	% of Total
0.00 to 1.99.....	20,901,202.39	0.56	944	1.37
2.00 to 3.99.....	40,064,222.97	1.07	2,027	2.94
4.00 to 5.99.....	74,565,233.20	1.99	3,168	4.59
6.00 to 7.99.....	123,251,741.39	3.28	4,234	6.13
8.00 to 9.99.....	183,325,793.95	4.88	5,717	8.28
10.00 to 11.99.....	209,360,809.24	5.58	5,606	8.12
12.00 to 13.99.....	269,906,789.70	7.19	6,261	9.07
14.00 to 15.99.....	318,990,529.27	8.5	6,555	9.49
16.00 to 17.99.....	326,886,725.77	8.71	5,948	8.61
18.00 to 19.99.....	303,163,162.13	8.08	4,908	7.11
20.00 to 21.99.....	319,555,547.94	8.51	5,054	7.32
22.00 to 23.99.....	268,257,647.40	7.15	3,521	5.10
24.00 to 25.99.....	402,606,526.58	10.72	4,679	6.78
26.00 to 27.99.....	201,807,411.87	5.38	2,599	3.76
28.00 to 29.99.....	280,148,109.95	7.46	3,028	4.38
Equal to and over 30.00	411,303,978.67	10.96	4,808	6.96
Totals	3,754,095,432.42	100.00	69,057	100.00

The maximum, minimum and weighted average remaining term of the Loans in the Provisional Portfolio as at the Reference Date was 45.54, 0.00 and 20.08 years, respectively.

Purpose of Loan

The following table shows whether the purpose of the Loan on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower or to release equity.

Use of proceeds	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Loans	% of Total
Purchase.....	2,313,195,417.48	61.62	36,080	52.25
Remortgage.....	1,305,195,050.78	34.77	23,788	34.45
Release equity*	135,704,964.16	3.61	9,189	13.31
Totals	3,754,095,432.42	100.00	69,057	100.00

* Loans in the Portfolio used to release equity do not constitute Equity Release Loans (as defined in the PCS Rulebook).

Vintage

The following table shows the year in which the Loans in the Provisional Portfolio have been originated.

Vintage	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Loans	% of Total
2000.....	3,777,989.35	0.10	192	0.28
2001.....	2,938,285.94	0.08	186	0.27
2002.....	12,320,194.02	0.33	581	0.84
2003.....	20,014,646.54	0.53	997	1.44
2004.....	32,168,685.35	0.86	1,265	1.83
2005.....	64,119,394.91	1.71	2,107	3.05
2006.....	90,762,271.82	2.42	2,690	3.90
2007.....	148,557,737.27	3.96	4,013	5.81
2008.....	229,730,216.17	6.12	5,306	7.68
2009.....	144,240,806.19	3.84	3,588	5.20
2010.....	147,098,923.21	3.92	3,496	5.06
2011.....	209,781,624.45	5.59	5,117	7.41
2012.....	338,384,094.60	9.01	8,078	11.70
2013.....	236,085,556.18	6.29	4,907	7.11
2014.....	228,728,362.16	6.09	3,918	5.67
2015.....	1,448,280,918.29	38.58	17,713	25.65
2016.....	397,105,725.97	10.58	4,903	7.10
Totals	3,754,095,432.42	100.00	69,057	100.00

Payment type

The following table shows the payment type for the Loans as at the Reference Date.

Payment Type	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Loans	% of Total
Repayment	3,311,650,641.73	88.21	62,452	90.44
Interest Only	442,444,790.69	11.79	6,605	9.56
Totals	3,754,095,432.42	100.00	69,057	100.00

Current Product

The following table shows the distribution of products and associated reversion mechanics as at the Reference Date.

Product Type	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Loans	% of Total
Tracker.....	201,474,679.38	5.37	4,119	5.96
Tracker to HVR.....	127,619,067.59	3.40	909	1.32
Fixed for Life.....	14,168,778.24	0.38	386	0.56
Fixed to HVR.....	2,147,504,691.73	57.20	21,485	31.11
Fixed to SVR.....	4,661,148.05	0.12	114	0.17
HVR.....	336,054,784.60	8.95	8,336	12.07
SVR.....	922,612,282.83	24.58	33,708	48.81
Totals	3,754,095,432.42	100.00	69,057	100.00

Current Interest Rate Bands

The following table shows the current interest rate bands of the Loans at the Reference Date.

Current Interest Rate Bands (%)	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Loans	% of Total
0.00 to 0.99.....	108,527,409.79	2.89	12,724	18.43
1.00 to 1.99.....	518,027,849.43	13.80	4,590	6.65
2.00 to 2.99.....	1,982,895,033.53	52.82	34,315	49.69
3.00 to 3.99.....	1,003,450,283.11	26.73	15,342	22.22
4.00 to 4.99.....	120,881,969.25	3.22	1,449	2.10
5.00 to 5.99.....	15,873,848.03	0.42	446	0.65
6.00 to 6.99.....	4,439,039.28	0.12	191	0.28
7.00 to 7.99.....	0	0.00	0	0.00
Totals	3,754,095,432.42	100.00	69,057	100.00

The maximum, minimum and weighted Current Interest Rate of Loans in the Provisional Portfolio as at the Reference Date was 6.99 per cent, 0.00 per cent and 2.71 per cent, respectively.

Fixed Rate Loans—Current Interest Rate Bands

The following table shows the current interest rate band for the fixed rate Loans as at the Reference Date.

Fixed Rate Loans - Current Interest Rate Band	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Loans	% of Total
0.00 to 0.99.....	0	0.00	0	0.00
1.00 to 1.99.....	328,543,047.24	15.17	2,148	9.77
2.00 to 2.99.....	1,035,538,106.81	47.80	10,979	49.94
3.00 to 3.99.....	663,965,405.04	30.65	6,875	31.27
4.00 to 4.99.....	119,014,690.17	5.49	1,387	6.31
5.00 to 5.99.....	15,077,678.30	0.70	415	1.89
6.00 to 6.99.....	4,195,690.46	0.19	181	0.82
7.00 to 7.99.....	0	0.00	0	0.00
Totals	2,166,334,618.02	100.00	21,985	100.00

The maximum, minimum and weighted current interest rate for the fixed rate Loans in the Provisional Portfolio as at the Reference Date was 6.99 per cent, 1.29 per cent and 2.80 per cent, respectively.

Fixed Rate Loans—Roll Date

The following table shows the roll date of the fixed rate Loans at the Reference Date.

Fixed Rate Loans – Roll Date	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Loans	% of Total
2016.....	167,515,819.05	7.73	2,417	10.99
2017.....	869,849,871.94	40.15	7,208	32.79
2018.....	227,976,152.77	10.52	2,613	11.89
2019.....	75,781,359.17	3.50	1,218	5.54
2020.....	583,074,879.01	26.92	5,934	26.99
2021.....	43,978,119.26	2.03	490	2.23
2022.....	46,800.00	0	1	0.00
2023.....	37,044.19	0	1	0.00
2024.....	364,865.15	0.02	8	0.04
2025.....	157,606,120.71	7.28	1,683	7.66
2026.....	40,103,586.77	1.85	412	1.87
Totals	2,166,334,618.02	100.00	21,985	100.00

Property Type

The following table shows the property type as at the Reference Date:

Property Type	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Residential (House)	2,229,668,801.81	59.39	16,575	54.7
Residential (Terraced)	899,206,156.58	23.95	8,293	27.37
Residential (Flat/Apartment)	431,879,441.72	11.50	3,661	12.08
Residential (Bungalow)	193,341,032.31	5.15	1,775	5.86
Totals	3,754,095,432.42	100.00	30,304	100.00

Borrowers Employment Status

The following table shows the Borrowers' employment status as at the Reference Date.

Borrowers Employment Status	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Employed or full loan is guaranteed	3,302,441,020.99	87.97	27,258	89.95
Self-employed.....	451,654,411.43	12.03	3,046	10.05
Totals	3,754,095,432.42	100.00	30,304	100.00

STATIC POOL INFORMATION

The tables in the following pages set out, to the extent material, static pool information with respect to all mortgage loans originated or acquired by the Seller pursuant to a transfer under Part VII of the Financial Services and Markets Act 2000. The tables show, for originations in each year the distribution of such loans originated in that year by delinquency category as at each year end.

In the following tables, delinquency category corresponds to the number of monthly contractual repayment amounts in arrears. Delinquency rates represent the closing balances of loans in a particular category as a percentage of aggregate closing balances.

Arrears by Year of Origination – TSB Bank plc

Loans originated prior to 2006 as at each specified date

	31 December 2013				31 December 2014			
	Balance (£)	Count	% of Balance	% of Count	Balance (£)	Count	% of Balance	% of Count
<2 months.....	4,507,993,154.92	67,536	96.85	97.37	3,878,013,957.12	58,744	96.83	97.36
>=2 & <3 months.....	30,346,906.42	397	0.65	0.57	26,566,042.37	354	0.66	0.59
>=3 & <6 months.....	44,657,075.60	546	0.96	0.79	39,616,021.92	522	0.99	0.87
>=6 & <9 months.....	22,588,303.66	278	0.49	0.40	22,112,222.07	278	0.55	0.46
>=9 & <12 months.....	14,276,855.62	163	0.31	0.23	11,364,620.47	122	0.28	0.20
>=12 months.....	34,592,952.95	443	0.74	0.64	27,173,135.86	316	0.68	0.52
Of which, In Possession.....	3,230,361.55	32	0.07	0.05	1,901,549.53	20	0.05	0.03
Totals.....	4,654,455,249.17	69,363	100.00	100.00	4,004,845,999.81	60,336	100.00	100.00

	31 December 2015			
	Balance (£)	Count	% of Balance	% of Count
<2 months.....	3,342,673,454.65	50,793	97.39	97.60
>=2 & <3 months.....	16,204,300.02	255	0.47	0.49
>=3 & <6 months.....	29,933,837.91	415	0.87	0.80
>=6 & <9 months.....	14,694,282.93	203	0.43	0.39
>=9 & <12 months.....	7,816,186.39	108	0.23	0.21
>=12 months.....	20,966,275.78	266	0.61	0.51
Of which, In Possession.....	682,610.88	9	0.02	0.02
Totals.....	3,432,288,337.68	52,040	100.00	100.00

Loans originated in 2006 as at each specified date

	31 December 2013				31 December 2014			
	Balance (£)	Count	% of Balance	% of Count	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,090,078,976.92	10,071	97.36	97.56	958,074,715.17	9,159	97.34	97.74
>=2 & <3 months.....	6,679,804.33	59	0.60	0.57	6,462,834.53	51	0.66	0.54
>=3 & <6 months.....	11,172,086.21	93	1.00	0.90	8,536,180.15	63	0.87	0.67
>=6 & <9 months.....	4,773,920.14	38	0.43	0.37	6,199,473.05	55	0.63	0.59
>=9 & <12 months.....	2,004,127.83	22	0.18	0.21	2,054,648.46	16	0.21	0.17
>=12 months.....	4,948,969.87	40	0.44	0.39	2,971,529.01	27	0.30	0.29
Of which, In Possession.....	411,659.01	4	0.04	0.04	269,286.30	3	0.03	0.03
Totals.....	1,119,657,885.30	10,323	100.00	100.00	984,299,380.37	9,371	100.00	100.00

	31 December 2015			
	Balance (£)	Count	% of Balance	% of Count
<2 months.....	847,562,680.41	8,304	97.72	98.03
>=2 & <3 months.....	4,221,428.31	47	0.49	0.55
>=3 & <6 months.....	8,299,332.32	56	0.96	0.66
>=6 & <9 months.....	2,289,692.49	24	0.26	0.28
>=9 & <12 months.....	1,775,519.04	14	0.20	0.17
>=12 months.....	3,221,812.61	26	0.37	0.31
Of which, In Possession.....	318,121.08	2	0.04	0.02
Totals.....	867,370,465.18	8,471	100.00	100.00

Loans originated in 2007 as at each specified date

	31 December 2013				31 December 2014			
	Balance (£)	Count	% of Balance	% of Count	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,856,175,222.89	15,907	97.62	97.65	1,614,464,513.52	14,399	97.12	97.83
>=2 & <3 months.....	9,545,179.81	94	0.50	0.58	6,972,531.31	72	0.42	0.49
>=3 & <6 months.....	16,482,561.60	140	0.87	0.86	18,907,782.53	124	1.14	0.84
>=6 & <9 months.....	7,630,579.16	54	0.40	0.33	13,504,421.05	56	0.81	0.38
>=9 & <12 months.....	4,019,101.76	27	0.21	0.17	2,565,242.46	19	0.15	0.13
>=12 months.....	7,549,816.11	67	0.40	0.41	5,877,918.99	49	0.35	0.33
Of which, In Possession.....	688,415.49	6	0.04	0.04	235,028.28	2	0.01	0.01
Totals.....	1,901,402,461.33	16,289	100.00	100.00	1,662,292,409.86	14,719	100.00	100.00

	31 December 2015			
	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,425,894,508.15	12,967	97.96	98.05
>=2 & <3 months.....	7,254,466.78	57	0.50	0.43
>=3 & <6 months.....	10,918,917.28	98	0.75	0.74
>=6 & <9 months.....	4,806,019.73	37	0.33	0.28
>=9 & <12 months.....	3,036,876.09	27	0.21	0.20
>=12 months.....	3,748,496.20	39	0.26	0.29
Of which, In Possession.....	83,107.31	1	0.01	0.01
Totals.....	1,455,659,284.23	13,225	100.00	100.00

Loans originated in 2008 as at each specified date

	31 December 2013				31 December 2014			
	Balance (£)	Count	% of Balance	% of Count	Balance (£)	Count	% of Balance	% of Count
<2 months.....	2,512,975,686.71	18,930	98.26	98.19	2,190,584,210.91	17,042	98.40	98.26
>=2 & <3 months.....	10,213,761.14	85	0.40	0.44	7,342,685.67	62	0.33	0.36
>=3 & <6 months.....	12,807,336.35	110	0.50	0.57	11,070,460.51	108	0.50	0.62
>=6 & <9 months.....	6,400,459.91	53	0.25	0.27	5,879,673.27	57	0.26	0.33
>=9 & <12 months.....	4,772,012.66	30	0.19	0.16	3,600,547.39	24	0.16	0.14
>=12 months.....	10,255,275.26	71	0.40	0.37	7,704,483.75	50	0.35	0.29
Of which, In Possession.....	608,080.42	4	0.02	0.02	904,189.69	8	0.04	0.05
Totals.....	2,557,424,532.03	19,279	100.00	100.00	2,226,182,061.50	17,343	100.00	100.00

	31 December 2015			
	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,919,859,969.65	15,394	98.51	98.45
>=2 & <3 months.....	5,751,751.93	54	0.30	0.35
>=3 & <6 months.....	8,945,584.97	82	0.46	0.52
>=6 & <9 months.....	6,667,263.59	43	0.34	0.28
>=9 & <12 months.....	1,888,364.17	18	0.10	0.12
>=12 months.....	5,725,299.70	45	0.29	0.29
Of which, In Possession.....	504,211.00	5	0.03	0.03
Totals.....	1,948,838,234.01	15,636	100.00	100.00

Loans originated in 2009 as at each specified date

	31 December 2013				31 December 2014			
	Balance (£)	Count	% of Balance	% of Count	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,306,151,422.57	11,266	99.10	98.99	1,105,722,044.17	9,898	98.90	99.08
>=2 & <3 months.....	2,464,364.51	23	0.19	0.20	2,226,335.34	23	0.20	0.23
>=3 & <6 months.....	4,256,760.10	43	0.32	0.38	6,465,531.07	34	0.58	0.34
>=6 & <9 months.....	1,635,347.74	14	0.12	0.12	256,782.64	5	0.02	0.05
>=9 & <12 months.....	974,141.03	15	0.07	0.13	311,308.96	4	0.03	0.04
>=12 months.....	2,570,578.04	20	0.20	0.18	2,987,509.63	26	0.27	0.26
Of which, In Possession.....	117,455.49	1	0.01	0.01	1,141,599.05	3	0.10	0.03
Totals.....	1,318,052,613.99	11,381	100.00	100.00	1,117,969,511.81	9,990	100.00	100.00

	31 December 2015			
	Balance (£)	Count	% of Balance	% of Count
<2 months.....	939,340,395.55	8,744	99.14	99.09
>=2 & <3 months.....	1,128,624.38	12	0.12	0.14
>=3 & <6 months.....	3,027,219.19	32	0.32	0.36
>=6 & <9 months.....	1,339,340.21	12	0.14	0.14
>=9 & <12 months.....	1,326,933.25	8	0.14	0.09
>=12 months.....	1,298,321.58	16	0.14	0.18
Of which, In Possession.....	199,327.29	2	0.02	0.02
Totals.....	947,460,834.16	8,824	100.00	100.00

Loans originated in 2010 as at each specified date

	31 December 2013				31 December 2014			
	Balance (£)	Count	% of Balance	% of Count	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,323,299,632.40	11,255	99.30	99.26	1,096,385,954.46	9,774	99.01	99.01
>=2 & <3 months.....	1,505,595.27	14	0.11	0.12	1,666,261.38	19	0.15	0.19
>=3 & <6 months.....	4,224,946.82	39	0.32	0.34	4,057,651.94	33	0.37	0.33
>=6 & <9 months.....	1,510,035.71	15	0.11	0.13	2,745,891.83	25	0.25	0.25
>=9 & <12 months.....	643,017.30	6	0.05	0.05	769,761.91	9	0.07	0.09
>=12 months.....	1,421,990.69	10	0.11	0.09	1,684,658.59	12	0.15	0.12
Of which, In Possession.....	98,064.19	1	0.01	0.01	852,108.12	2	0.08	0.02
Totals.....	1,332,605,218.19	11,339	100.00	100.00	1,107,310,180.11	9,872	100.00	100.00

	31 December 2015			
	Balance (£)	Count	% of Balance	% of Count
<2 months.....	899,274,418.64	8,431	98.94	99.03
>=2 & <3 months.....	2,885,324.84	24	0.32	0.28
>=3 & <6 months.....	2,587,175.37	25	0.28	0.29
>=6 & <9 months.....	1,545,795.64	14	0.17	0.16
>=9 & <12 months.....	620,015.34	7	0.07	0.08
>=12 months.....	2,016,871.82	13	0.22	0.15
Of which, In Possession.....	1,024,580.80	2	0.11	0.02
Totals.....	908,929,601.65	8,514	100.00	100.00

Loans originated in 2011 as at each specified date

	31 December 2013				31 December 2014			
	Balance (£)	Count	% of Balance	% of Count	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,625,554,401.93	13,559	99.37	99.29	1,322,949,322.36	11,618	99.24	99.16
>=2 & <3 months.....	3,509,873.49	30	0.21	0.22	1,742,379.22	17	0.13	0.15
>=3 & <6 months.....	3,970,082.03	41	0.24	0.30	5,555,834.94	43	0.42	0.37
>=6 & <9 months.....	1,904,026.40	15	0.12	0.11	1,841,183.21	24	0.14	0.20
>=9 & <12 months.....	511,925.24	6	0.03	0.04	239,649.40	5	0.02	0.04
>=12 months.....	389,450.21	5	0.02	0.04	728,540.73	10	0.05	0.09
Of which, In Possession.....	66,784.31	1	0.00	0.01	242,965.34	3	0.02	0.03
Totals.....	1,635,839,759.30	13,656	100.00	100.00	1,333,056,909.86	11,717	100.00	100.00

	31 December 2015			
	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,087,965,591.08	10,040	99.21	99.16
>=2 & <3 months.....	1,551,059.08	17	0.14	0.17
>=3 & <6 months.....	2,993,493.23	33	0.27	0.33
>=6 & <9 months.....	2,390,440.05	21	0.22	0.21
>=9 & <12 months.....	94,279.80	1	0.01	0.01
>=12 months.....	1,649,772.03	13	0.15	0.13
Of which, In Possession.....	590,049.91	3	0.05	0.03
Totals.....	1,096,644,635.27	10,125	100.00	100.00

Loans originated in 2012 as at each specified date

	31 December 2013				31 December 2014			
	Balance (£)	Count	% of Balance	% of Count	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,936,285,969.89	15,272	99.80	99.73	1,587,880,668.21	13,282	99.71	99.55
>=2 & <3 months.....	1,514,303.17	15	0.08	0.10	886,916.20	15	0.06	0.11
>=3 & <6 months.....	1,481,563.39	15	0.08	0.10	2,245,208.95	29	0.14	0.22
>=6 & <9 months.....	557,146.98	6	0.03	0.04	977,330.19	10	0.06	0.07
>=9 & <12 months.....	195,415.32	3	0.01	0.02	429,678.72	5	0.03	0.04
>=12 months.....	159,803.40	2	0.01	0.01	88,594.30	1	0.01	0.01
Of which, In Possession.....	143,047.97	1	0.01	0.01	0.00	0	0.00	0.00
Totals.....	1,940,194,202.15	15,313	100.00	100.00	1,592,508,396.57	13,342	100.00	100.00

	31 December 2015			
	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,298,582,856.85	11,498	99.54	99.46
>=2 & <3 months.....	1,230,311.65	15	0.09	0.13
>=3 & <6 months.....	3,134,938.88	29	0.24	0.25
>=6 & <9 months.....	761,178.20	10	0.06	0.09
>=9 & <12 months.....	206,678.89	4	0.02	0.03
>=12 months.....	696,219.97	4	0.05	0.03
Of which, In Possession.....	0.00	0	0.00	0.00
Totals.....	1,304,612,184.44	11,560	100.00	100.00

Loans originated in 2013 as at each specified date

	31 December 2013				31 December 2014			
	Balance (£)	Count	% of Balance	% of Count	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,274,109,766.67	11,323	99.89	99.92	1,168,778,285.32	10,794	99.77	99.72
>=2 & <3 months.....	323,539.83	4	0.03	0.04	765,106.51	11	0.07	0.10
>=3 & <6 months.....	1,105,493.65	5	0.09	0.04	1,069,084.00	9	0.09	0.08
>=6 & <9 months.....	0.00	0	0.00	0.00	447,008.46	5	0.04	0.05
>=9 & <12 months.....	0.00	0	0.00	0.00	406,088.50	4	0.03	0.04
>=12 months.....	0.00	0	0.00	0.00	57,124.33	1	0.00	0.01
Of which, In Possession.....	0.00	0	0.00	0.00	57,124.33	1	0.00	0.01
Totals.....	1,275,538,800.15	11,332	100.00	100.00	1,171,522,697.12	10,824	100.00	100.00

	31 December 2015			
	Balance (£)	Count	% of Balance	% of Count
<2 months.....	964,389,764.33	9,506	99.66	99.62
>=2 & <3 months.....	881,904.16	9	0.09	0.09
>=3 & <6 months.....	1,619,555.88	16	0.17	0.17
>=6 & <9 months.....	293,679.22	3	0.03	0.03
>=9 & <12 months.....	144,027.39	3	0.01	0.03
>=12 months.....	353,826.13	5	0.04	0.05
Of which, In Possession.....	88,508.39	1	0.01	0.01
Totals.....	967,682,757.11	9,542	100.00	100.00

Loans originated in 2014 as at each specified date

	31 December 2014				31 December 2015			
	Balance (£)	Count	% of Balance	% of Count	Balance (£)	Count	% of Balance	% of Count
<2 months.....	1,376,230,327.82	13,189	99.96	99.95	1,267,088,156.26	12,651	99.74	99.79
>=2 & <3 months.....	204,741.51	3	0.01	0.02	1,644,416.76	12	0.13	0.09
>=3 & <6 months.....	322,885.02	4	0.02	0.03	1,163,978.72	12	0.09	0.09
>=6 & <9 months.....	0.00	0	0.00	0.00	485,895.74	2	0.04	0.02
>=9 & <12 months.....	0.00	0	0.00	0.00	0.00	0	0.00	0.00
>=12 months.....	0.00	0	0.00	0.00	0.00	0	0.00	0.00
Of which, In Possession.....	0.00	0	0.00	0.00	0.00	0	0.00	0.00
Totals.....	1,376,757,954.35	13,196	100.00	100.00	1,270,382,447.48	12,677	100.00	100.00

Loans originated in 2015 as at each specified date

	31 December 2015			
	Balance (£)	Count	% of Balance	% of Count
<2 months.....	4,715,535,295.07	33,329	99.97	99.98
>=2 & <3 months.....	1,059,110.24	6	0.02	0.02
>=3 & <6 months.....	180,996.59	2	0.00	0.01
>=6 & <9 months.....	0.00	0	0.00	0.00
>=9 & <12 months.....	0.00	0	0.00	0.00
>=12 months.....	0.00	0	0.00	0.00
Of which, In Possession.....	0.00	0	0.00	0.00
Totals.....	4,716,775,401.90	33,337	100.00	100.00

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.

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 Monetary and Financial Institutions (including banks and building societies) (**Monetary and Financial Institutions**) in a quarter by the quarterly balance of mortgages outstanding for Monetary and Financial Institutions in the United Kingdom. These quarterly repayment rates were then annualised using standard methodology.

Quarter	Industry CPR rate for the quarter (%)	12-month rolling average (%)	Quarter	Industry CPR rate for the quarter (%)	12-month rolling average (%)
March 1999	13.58%		December 2007	28.61%	29.91%
June 1999	18.13%		March 2008	22.92%	28.40%
September 1999	20.21%		June 2008	24.76%	26.95%
December 1999	18.79%	17.68%	September 2008	23.74%	25.01%
March 2000	15.17%	18.08%	December 2008	17.32%	22.19%
June 2000	17.29%	17.87%	March 2009	14.30%	20.03%
September 2000	18.14%	17.35%	June 2009	12.46%	16.95%
December 2000	17.76%	17.09%	September 2009	14.13%	14.55%
March 2001	17.39%	17.65%	December 2009	13.18%	13.52%
June 2001	21.12%	18.60%	March 2010	10.78%	12.63%
September 2001	23.89%	20.04%	June 2010	12.01%	12.52%
December 2001	23.62%	21.51%	September 2010	12.90%	12.21%
March 2002	21.83%	22.61%	December 2010	12.45%	12.03%
June 2002	25.07%	23.60%	March 2011	11.29%	12.16%
September 2002	28.74%	24.81%	June 2011	11.98%	12.15%
December 2002	27.65%	25.82%	September 2011	13.63%	12.34%
March 2003	25.27%	26.68%	December 2011	13.02%	12.48%
June 2003	26.97%	27.16%	March 2012	11.95%	12.65%
September 2003	29.32%	27.30%	June 2012	12.31%	12.73%
December 2003	30.59%	28.04%	September 2012	12.63%	12.48%
March 2004	25.24%	28.03%	December 2012	12.97%	12.46%
June 2004	27.70%	28.21%	March 2013	12.44%	12.59%
September 2004	29.69%	28.30%	June 2013	14.41%	13.11%
December 2004	24.72%	26.84%	September 2013	16.48%	14.07%
March 2005	20.76%	25.72%	December 2013	16.83%	15.04%
June 2005	25.38%	25.14%	March 2014	15.05%	15.69%
September 2005	29.71%	25.14%	June 2014	15.90%	16.07%
December 2005	30.20%	26.51%	September 2014	17.10%	16.22%
March 2006	26.75%	28.01%	December 2014	15.94%	16.00%
June 2006	28.35%	28.75%	March 2015	14.42%	15.84%
September 2006	30.71%	29.00%	June 2015	15.63%	15.77%
December 2006	30.58%	29.10%	September 2015	17.15%	15.78%
March 2007	28.98%	29.65%	December 2015	17.47%	16.17%
June 2007	30.54%	30.20%	March 2016	17.04%	16.82%
September 2007	31.52%	30.40%			

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 1971.

Year	Repossessions (%)	Year	Repossessions (%)	Year	Repossessions (%)
1971	0.06	1986.....	0.30	2001.....	0.16
1972	0.04	1987.....	0.32	2002.....	0.11
1973	0.03	1988.....	0.22	2003.....	0.07
1974	0.07	1989.....	0.17	2004.....	0.07
1975	0.10	1990.....	0.47	2005.....	0.12
1976	0.09	1991.....	0.77	2006.....	0.18
1977	0.08	1992.....	0.69	2007.....	0.22
1978	0.07	1993.....	0.58	2008.....	0.34
1979	0.05	1994.....	0.47	2009.....	0.43
1980	0.06	1995.....	0.47	2010.....	0.34
1981	0.08	1996.....	0.40	2011.....	0.33
1982	0.11	1997.....	0.31	2012.....	0.30
1983	0.12	1998.....	0.31	2013.....	0.26
1984	0.17	1999.....	0.27	2014.....	0.19
1985.....	0.25	2000.....	0.20	2015.....	0.09

Source: CML Research

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 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 a good indication of house affordability, it does not take into account the fact that the majority of households have more than one income to support a mortgage loan.

Year	House Price to Earnings Ratio	Year	House Price to Earnings Ratio
1971.....	4.02	1994.....	4.55
1972.....	4.63	1995.....	4.47
1973.....	5.64	1996.....	4.51
1974.....	4.85	1997.....	4.77
1975.....	4.23	1998.....	5.11
1976.....	4.08	1999.....	5.37
1977.....	4.02	2000.....	5.65
1978.....	4.09	2001.....	5.77
1979.....	4.47	2002.....	6.55
1980.....	4.53	2003.....	7.11
1981.....	4.30	2004.....	7.57
1982.....	4.09	2005.....	7.72
1983.....	4.26	2006.....	7.66
1984.....	4.35	2007.....	8.20
1985.....	4.41	2008.....	7.93
1986.....	4.64	2009.....	7.24
1987.....	4.98	2010.....	7.67
1988.....	5.73	2011.....	7.77
1989.....	6.36	2012.....	8.21
1990.....	5.72	2013.....	8.47
1991.....	5.27	2014.....	9.03
1992.....	4.85	2015.....	9.37
1993.....	4.59		

Source: Council of Mortgage Lenders

House Price Index

UK residential property prices, as measured by the Nationwide House Price Index and Halifax House Price Index (collectively the **Housing Indices**), have generally followed the UK Retail Price Index over an extended period. (Nationwide is a UK building society and Halifax is a division of Bank of Scotland plc which is part of the Lloyds Banking Group.)

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Indices occurring in the late 1980s and large decreases occurring in the early 1990s and from 2007.

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
March 1988	104.10	3.48	89.95	10.3	164.90	17.3
June 1988	106.60	4.61	97.61	13.8	180.20	22.3
September 1988	108.40	5.86	108.43	22.3	198.90	30.3
December 1988	110.30	6.78	114.20	29.1	212.00	34.0
March 1989	112.30	7.88	118.76	32.0	217.80	32.1
June 1989	115.40	8.26	124.17	27.2	226.80	25.9
September 1989	116.60	7.56	125.24	15.5	227.30	14.3
December 1989	118.80	7.71	122.68	7.4	222.80	5.1
March 1990	121.40	8.10	118.87	0.1	220.70	1.3
June 1990	126.70	9.79	117.66	-5.2	224.30	-1.1
September 1990	129.30	10.89	114.20	-8.8	224.20	-1.4
December 1990	129.90	9.34	109.56	-10.7	222.90	0.0
March 1991	131.40	8.24	108.82	-8.5	220.20	-0.2
June 1991	134.10	5.84	110.55	-6.0	223.20	-0.5
September 1991	134.60	4.10	109.53	-4.1	220.80	-1.5
December 1991	135.70	4.46	107.00	-2.3	217.50	-2.4
March 1992	136.70	4.03	104.11	-4.3	210.60	-4.4
June 1992	139.30	3.88	105.06	-5.0	210.40	-5.7
September 1992	139.40	3.57	104.22	-4.8	208.40	-5.6
December 1992	139.20	2.58	100.08	-6.5	199.30	-8.4
March 1993	139.30	1.90	100.00	-3.9	196.90	-6.5
June 1993	141.00	1.22	103.57	-1.4	203.20	-3.4
September 1993	141.90	1.79	103.23	-1.0	204.20	-2.0
December 1993	141.90	1.94	101.84	1.8	202.50	1.6
March 1994	142.50	2.30	102.39	2.4	202.30	2.7
June 1994	144.70	2.62	102.46	-1.1	204.30	0.5
September 1994	145.00	2.18	103.20	-0.0	204.30	0.0
December 1994	146.00	2.89	103.96	2.1	200.90	-0.8
March 1995	147.50	3.51	101.91	-0.5	200.30	-1.0
June 1995	149.80	3.52	103.00	0.5	201.00	-1.6
September 1995	150.60	3.86	102.41	-0.8	199.00	-2.6
December 1995	150.70	3.22	101.60	-2.3	197.80	-1.5
March 1996	151.50	2.71	102.47	0.6	200.90	0.3
June 1996	153.00	2.14	105.79	2.7	208.60	3.8
September 1996	153.80	2.12	107.74	5.2	209.80	5.4
December 1996	154.40	2.46	110.06	8.3	212.60	7.5
March 1997	155.40	2.57	111.33	8.6	215.30	7.2
June 1997	157.50	2.94	116.51	10.1	222.60	6.7
September 1997	159.30	3.58	121.20	12.5	223.60	6.6
December 1997	160.00	3.63	123.34	12.1	224.00	5.4
March 1998	160.80	3.47	125.48	12.7	226.40	5.2
June 1998	163.40	3.75	130.11	11.7	234.90	5.5
September 1998	164.40	3.20	132.39	9.2	236.10	5.6
December 1998	164.40	2.75	132.29	7.3	236.30	5.5
March 1999	164.10	2.05	134.61	7.3	236.30	4.4
June 1999	165.60	1.35	139.66	7.3	247.70	5.4
September 1999	166.20	1.09	144.35	9.0	256.70	8.7
December 1999	167.30	1.76	148.89	12.6	263.40	11.5
March 2000	168.40	2.62	155.00	15.1	270.50	14.5
June 2000	171.10	3.32	161.99	16.0	275.60	11.3
September 2000	171.70	3.31	161.46	11.8	277.60	8.1
December 2000	172.20	2.93	162.84	9.4	278.30	5.7

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
March 2001	172.20	2.26	167.52	8.1	279.00	3.1
June 2001	174.40	1.93	174.83	7.9	297.00	7.8
September 2001	174.60	1.69	181.63	12.5	305.00	9.9
December 2001	173.40	0.70	184.59	13.4	310.90	11.7
March 2002	174.50	1.34	190.22	13.6	324.30	16.2
June 2002	176.20	1.03	206.47	18.1	346.60	16.7
September 2002	177.60	1.72	221.09	21.7	369.10	21.0
December 2002	178.50	2.94	231.29	25.3	393.00	26.4
March 2003	179.90	3.09	239.26	25.8	400.10	23.4
June 2003	181.30	2.89	250.12	21.1	422.50	21.9
September 2003	182.50	2.76	258.86	17.1	437.60	18.6
December 2003	183.50	2.80	267.12	15.5	453.50	15.4
March 2004	184.60	2.61	277.34	15.9	474.00	18.5
June 2004	186.80	3.03	296.16	18.4	513.20	21.5
September 2004	188.10	3.07	306.18	18.3	527.20	20.5
December 2004	189.90	3.49	304.15	13.9	522.00	15.1
March 2005	190.50	3.20	304.80	9.9	520.20	9.7
June 2005	192.20	2.89	314.18	6.1	532.10	3.7
September 2005	193.10	2.66	314.45	2.7	543.10	3.0
December 2005	194.10	2.21	313.97	3.2	548.40	5.1
March 2006	195.00	2.36	319.82	4.9	552.60	6.2
June 2006	198.50	3.28	329.22	4.8	582.10	9.4
September 2006	200.10	3.63	336.06	6.9	586.70	8.0
December 2006	202.70	4.43	343.25	9.3	602.80	9.9
March 2007	204.40	4.82	350.21	9.5	613.90	11.1
June 2007	207.30	4.43	362.69	10.2	644.10	10.7
September 2007	208.00	3.95	367.32	9.3	649.30	10.7
December 2007	210.90	4.05	366.98	6.9	634.40	5.2
March 2008	212.10	3.77	357.81	2.2	620.90	1.1
June 2008	216.80	4.58	348.14	-4.0	605.10	-6.1
September 2008	218.40	5.00	329.53	-10.3	568.90	-12.4
December 2008	212.90	0.95	312.85	-14.7	531.50	-16.2
March 2009	211.30	-0.38	298.65	-16.5	512.50	-17.5
June 2009	213.40	-1.57	307.34	-11.7	514.30	-15.0
September 2009	215.30	-1.42	319.50	-3.0	526.50	-7.5
December 2009	218.00	2.40	323.40	3.4	537.30	1.1
March 2010	220.70	4.45	324.94	8.8	539.00	5.2
June 2010	224.10	5.01	336.57	9.5	546.60	6.3
September 2010	225.30	4.64	333.85	4.5	540.40	2.6
December 2010	228.40	4.77	325.11	0.5	528.80	-1.6
March 2011	232.50	5.35	323.93	-0.3	523.20	-2.9
June 2011	235.20	4.95	332.67	-1.2	527.20	-3.5
September 2011	237.90	5.59	332.34	-0.5	528.00	-2.3
December 2011	239.40	4.82	328.73	1.1	522.00	-1.3
March 2012	240.80	3.57	324.61	0.2	520.10	-0.6
June 2012	241.80	2.81	329.06	-1.1	524.70	-0.5
September 2012	244.20	2.65	326.98	-1.6	521.80	-1.2
December 2012	246.80	3.09	325.01	-1.1	520.47	-0.3
March 2013	248.70	3.28	325.28	0.2	525.66	1.1
June 2013	249.70	3.27	333.73	1.4	544.39	3.8
September 2013	251.90	3.15	340.96	4.3	554.19	6.2
December 2013	253.40	2.67	348.00	7.1	559.49	7.5
March 2014	254.80	2.45	355.34	9.2	571.20	8.7
June 2014	256.30	2.64	372.13	11.5	592.21	8.8
September 2014	257.60	2.26	376.65	10.5	607.58	9.6
December 2014	257.50	1.62	377.03	8.3	602.85	7.8
March 2015	257.10	0.90	376.17	5.9	617.28	8.1
June 2015	258.90	1.01	387.52	4.1	648.93	9.6
September 2015	259.60	0.78	390.46	3.7	659.66	8.6
December 2015	260.60	1.20	393.08	4.3	660.02	9.5
March 2016	261.10	1.56	396.11	5.3	679.74	10.1

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

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WEIGHTED AVERAGE LIVES OF THE CLASS A NOTES

The average lives of the Class A Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Class A Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) in the first scenario, the Issuer exercises its option to redeem the Class A Notes in accordance with Condition 7.3 (*Optional Redemption of the Rated Notes in Full*) on the Step-Up Date, or, in the second scenario, the Issuer does not exercise its option to redeem the Class A Notes on the Step-Up Date;
- (b) the Class A1a Target Amortisation Amount, the Class A1b Target Amortisation Amount and the Class A2 Target Amortisation Amount has each been pre-determined up to the Step-Up Date;
- (c) the Subordinated Noteholder does not advance additional amounts to the Issuer to meet any applicable Class A1a Shortfall Amount, any applicable Retention Tranche A1a Shortfall Amount, any applicable Class A1b Shortfall Amount, any applicable Retention Tranche A1b Shortfall Amount, or any applicable Class A2 Shortfall Amount or any applicable Retention Tranche A2 Shortfall Amount prior to the Step-Up;
- (d) the Loans are subject to a constant annual rate of pre-payment (exclusive of scheduled principal redemptions) of between 0 and 30 per cent. per annum as shown on the table below;
- (e) all Available Principal Receipts remaining after paying the Class A1a Notes, the portion of the Retention Note comprised by Retention Tranche A1a, the Class A1b Notes, the portion of the Retention Note comprised by Retention Tranche A1b, the Class A2 Notes and the portion of the Retention Note comprised by Retention Tranche A2, as applicable, down to the applicable Class A1a Target Amortisation Amount, the applicable Retention Tranche A1a Target Amortisation Amount, down to the applicable Class A1b Target Amortisation Amount, the applicable Retention Tranche A1b Target Amortisation Amount, or the applicable Class A2 Target Amortisation Amount or the applicable Retention Tranche A2 Target Amortisation Amount, as applicable, will be used to purchase New Portfolios;
- (f) the Security has not been enforced;
- (g) the Mortgages continue to be fully performing;
- (h) the ratio of the Principal Amount Outstanding of the Class A1a Notes to the Current Balance of the Provisional Portfolio as at the Reference Date is 8.95 per cent. and the ratio of the Principal Amount Outstanding of the Class A1a Notes including Retention Tranche A1a to the Current Balance of the Provisional Portfolio as at the Reference Date is 9.42 per cent.;
- (i) the ratio of the Principal Amount Outstanding of the Class A1b Notes to the Current Balance of the Provisional Portfolio as at the Reference Date is 19.39 per cent. and the ratio of the Principal Amount Outstanding of the Class A1b Notes including Retention Tranche A1b to the Current Balance of the Provisional Portfolio as at the Reference Date is 20.41 per cent.;
- (j) the ratio of the Principal Amount Outstanding of the Class A2 Notes to the Current Balance of the Provisional Portfolio as at the Reference Date is 13.43 per cent. and the ratio of the Principal Amount Outstanding of the Class A2 Notes including Retention Tranche A2 to the Current Balance of the Provisional Portfolio as at the Reference Date is 14.13 per cent.; and
- (k) the ratio of the Principal Amount Outstanding of the Class A3 Notes to the Current Balance of the Provisional Portfolio as at the Reference Date is 43.26 per cent. and the ratio of the Principal Amount Outstanding of the Class A3 Notes including Retention Tranche A3 to the Current Balance of the Provisional Portfolio as at the Reference Date is 45.54 per cent.

Possible Average Life of Class A Notes in Years

CPR	Assuming Issuer call on Step-Up Date				Assuming no Issuer call on Step-Up Date			
	Class A1a	Class A1b	Class A2	Class A3	Class A1a	Class A1b	Class A2	Class A3
0.0%	3.64	3.64	4.13	4.89	4.34	4.34	6.79	15.59
5.0%	2.46	2.46	3.39	4.89	2.47	2.47	3.59	10.55
10.0%	2.02	2.02	3.02	4.89	2.02	2.02	3.02	8.35
12.5%	2.02	2.02	3.02	4.89	2.02	2.02	3.02	7.88
15.0%	2.02	2.02	3.02	4.89	2.02	2.02	3.02	7.50
20.0%	2.02	2.02	3.02	4.89	2.02	2.02	3.02	6.94
25.0%	2.02	2.02	3.02	4.89	2.02	2.02	3.02	6.55
30.0%	2.02	2.02	3.02	4.89	2.02	2.02	3.02	6.26

The average lives of the Class A Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see "*Risk Factors—Portfolio—Considerations relating to yield, prepayments, mandatory redemption and optional redemption*" above.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs (HMRC) practice relating only to United Kingdom withholding tax treatment of payments of interest in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. References to "interest" refer to interest as that term is understood for United Kingdom tax purposes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Each prospective Noteholder is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Notes under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the prospective Noteholder may be subject to tax.

In this summary references to "Notes" and "Noteholder" excludes the Subordinated Note and the Subordinated Noteholder. The Subordinated Noteholder is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Subordinated Note under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the Subordinated Noteholder may be subject to tax.

Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for such purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom 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 and reliefs, including an exemption for certain payments of interest to which a company within the charge to United Kingdom corporation tax is beneficially entitled. 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).

UNITED STATES FEDERAL TAXATION

General

The following is a general summary of certain U.S. federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Rule 144A Notes. In general, the discussion assumes that a holder acquires the Rule 144A Notes at original issuance at their issue price (as described below) and holds the Rule 144A Notes as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Rule 144A Notes. In particular, it does not discuss special tax considerations that may apply to certain types of taxpayers, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, notional principal contracts or currencies; (iv) tax-exempt entities; (v) regulated investment companies; (vi) real estate investment trusts; (vii) persons that will hold the Rule 144A Notes as part of a “hedging” or “conversion” transaction or as a position in a “straddle” for U.S. federal income tax purposes; (viii) persons that own (or are deemed to own) 10 per cent. or more of the voting shares of the Issuer; (ix) entities or arrangements treated as partnerships or pass-through entities for U.S. federal income tax purposes or persons who hold Rule 144A Notes through entities or arrangements treated as partnerships or other pass-through entities for U.S. federal income tax purposes; (x) persons that have a “functional currency” other than the U.S. dollar; and (xi) certain U.S. expatriates and former long-term residents of the United States. This discussion also does not address consequences under the alternative minimum tax or the Medicare contribution tax on net investment income or the indirect effects on the holders of equity interests in a holder of Rule 144A Notes, nor does it describe any tax consequences arising under the laws of any taxing jurisdiction other than the U.S. federal government.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**), U.S. Treasury Regulations promulgated thereunder, and judicial and administrative interpretations thereof, in each case as in effect and available on the effective date of this prospectus. All of the foregoing are subject to change, and any change may apply retroactively and could affect the tax consequences described below.

As described further under “—*Characterisation of the Rule 144A Notes*”, U.S. tax counsel is of the opinion that, although there is no authority on the treatment of instruments substantially similar to the Rule 144A Notes, the Class A Rule 144A Notes and the Class B Rule 144A Notes, when issued, will be treated as debt for U.S. federal income tax purposes and the Class C Rule 144A Notes, when issued, should be treated as debt for U.S. federal income tax purposes. See “—*Alternative Characterisation of the Rule 144A Notes*” for the U.S. federal income tax treatment of equity. No Rule 144A Notes will be issued with respect to the Subordinated Note or the Retention Note.

An opinion of U.S. tax counsel is not binding on the U.S. Internal Revenue Service (the **IRS**) or the courts, and no rulings will be sought from the IRS on any of the issues discussed in this section and there can be no assurance that the IRS or courts will agree with the conclusions expressed herein. **Accordingly, investors are encouraged to consult their own tax advisers as to the personal U.S. federal income tax consequences to the investor of the purchase, ownership and disposition of the Rule 144A Notes, including the possible application of state, local, non-U.S. or other tax laws, and other U.S. tax issues affecting the transaction.**

As used in this section, the term **United States holder** means a beneficial owner of Rule 144A Notes that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation (or other entity treated as a corporation), created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate, the income of which is subject to U.S. federal income tax regardless of the source of its income; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes. A **Non-United States holder** is a beneficial owner of Rule 144A Notes that is not a United States holder. If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Rule 144A Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. **Partners of partnerships holding Rule 144A Notes are encouraged to consult their own tax advisers regarding the personal tax consequences to them.**

Characterisation of the Rule 144A Notes

Although there is no authority regarding the treatment of instruments that are substantially similar to the Rule 144A Notes, upon issuance of the Rule 144A Notes, U.S. tax counsel will deliver an opinion that the Class A Rule 144A Notes and the Rule 144A Class B Notes, when issued, will be treated as debt for U.S. federal income tax purposes and the Class C Rule 144A Notes, when issued, should be treated as debt for U.S. federal income tax purposes (see “—*Alternative Characterisation of the Rule 144A Notes*” and “—*General*” for further information regarding this opinion). The Issuer intends to treat, and, by its acceptance of a Rule 144A Note, each holder of a Rule 144A Note (or any interest therein) will be deemed to have agreed to treat, the Rule 144A Notes as indebtedness of the Issuer for all purposes, including U.S. federal income tax purposes.

The Rule 144A Notes will not be qualifying real property loans in the hands of domestic savings and loan associations, real estate investment trusts, or REMICs under sections 7701(a)(19)(C), 856(c) or 860G(a)(3) of the Code, respectively.

The discussion below assumes that the Rule 144A Notes will be treated as debt for U.S. federal income tax purposes.

Taxation of United States holders of the Rule 144A Notes

Qualified Stated Interest

The Issuer intends to treat interest on the Rule 144A Notes as “qualified stated interest” under U.S. Treasury Regulations relating to original issue discount (hereafter the **OID Regulations**). Qualified stated interest, which generally must be unconditionally payable at least annually, is taxed under a holder’s normal method of accounting as ordinary interest income. If a qualified stated interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis United States holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis United States holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years of a United States holder, the part of the period within the taxable year).

Under the second method, the United States holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an electing accrual basis United States holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the United States holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States holder, and will be irrevocable without the consent of the IRS.

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Rule 144A Note) denominated in, or determined by reference to, a foreign currency, the accrual basis United States holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

It is possible that interest on the Rule 144A Notes that are Class C Notes could be treated as issued with original issue discount for U.S. federal income tax purposes (and not “qualified stated interest”) because such interest is subject to deferral in certain limited circumstances. Under the Code, original issue discount is calculated and accrued using prepayment assumptions where payments on a debt instrument may be accelerated by reason of prepayments of other obligations securing such debt instrument. Moreover, the legislative history to the provisions provides that the same prepayment assumptions used to price a debt instrument be used to calculate original issue discount, as well as to accrue market discount and to amortise

premium. Here, prepayment of the Loans is not expected to alter the scheduled principal payments on the Rule 144A Notes and, accordingly, the Issuer intends to assume that such Rule 144A Notes will have their principal repaid according to the schedule for the purposes of accruing any original issue. No representation is made that the Loans will pay on the basis of such prepayment assumption or in accordance with any other prepayment scenario.

Interest income on the Rule 144A Notes will be treated as foreign source income for U.S. federal income tax purposes, which may be relevant in calculating a United States holder's foreign tax credit limitation for U.S. federal income tax purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and United States holders are encouraged to consult their own tax advisers regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Sales and retirement

In general, a United States holder of a Rule 144A Note will have an adjusted tax basis in such Rule 144A Note equal to the cost of the Rule 144A Note to such holder and reduced by any payments thereon other than payments of qualified stated interest. Upon a sale or retirement of a Rule 144A Note, a United States holder will generally recognise gain or loss equal to the difference between the amount realised (less any accrued interest, which would be taxable as such) and the holder's adjusted tax basis in the Rule 144A Note. Any gain or loss recognised by a United States holder will generally be U.S. source gain or loss for foreign tax credit limitation purposes. Except to the extent attributable to changes in exchange rates (described below), such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the United States holder has held the Rule 144A Note for more than one year at the time of disposition. Prospective investors are encouraged to consult their own tax advisers regarding the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that hold the Rule 144A Notes for more than one year) and capital losses (the deductibility of which is subject to limitations).

A United States holder's adjusted tax basis in a Rule 144A Note denominated in, or determined by reference to, a foreign currency will be determined by reference to the U.S. dollar cost of the Rule 144A Notes. The U.S. dollar cost of a Rule 144A Note purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Rule 144A Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis United States holder (or an accrual basis United States holder that so elects), on the settlement date for the purchase. The amount realised on a sale or retirement of a Rule 144A Note for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Rule 144A Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis United States holder (or an accrual basis United States holder that so elects), on the settlement date of the sale.

A United States holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Rule 144A Note equal to the difference, if any, between the U.S. dollar values of the United States holder's purchase price for the Rule 144A Note (i) on the date of sale or retirement and (ii) the date on which the United States holder acquired the Rule 144A Note. Any such exchange gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or retirement.

Alternative characterisation of the Rule 144A Notes

The proper characterisation of the arrangement involving the Issuer and the holders of the Rule 144A Notes is not clear because there is no authority on transactions comparable to that contemplated herein. The Issuer intends to treat the Rule 144A Notes as debt for all U.S. federal income tax purposes. **Prospective investors are encouraged to consult their own tax advisers regarding the personal tax consequences with respect to the potential impact of an alternative characterisation of the Rule 144A Notes for U.S. federal income tax purposes.**

One possible alternative characterisation is that the IRS could assert that the Class C Rule 144A Notes or any other Class of Rule 144A Notes should be treated as equity in the Issuer for U.S. federal income tax purposes because the Issuer may not have substantial equity. If the Class C Rule 144A Notes or any other Class of Rule 144A Notes were treated as equity, United States holders of such Notes would be treated as

owning equity in a passive foreign investment company (**PFIC**) which, depending on the level of ownership of such United States holders and certain other factors, might also constitute an interest in a controlled foreign corporation (**CFC**) for such United States holder. A Rule 144A Note that is treated as an equity interest in a PFIC or CFC rather than a debt instrument for U.S. federal income tax purposes would have certain timing and character consequences to a United States holder and could require certain elections and disclosures that would need to be made shortly after acquisition to avoid potentially adverse U.S. tax consequences. A United States holder of such a Rule 144A Note may also be required to file certain information with the IRS.

If a United States holder were treated as owning an equity interest in a PFIC, unless a United States holder makes a QEF election or mark to market election, a United States holder will be subject to a special tax regime (i) in respect of gains realised on the sale or retirement of the relevant Notes, and (ii) in respect of distributions on the relevant Notes held for more than one taxable year to the extent those distributions constitute excess distributions. Although not free from doubt, the PFIC rules should not apply to gain realised in respect of any Notes disposed of during the same taxable year in which such Notes are acquired. An excess distribution generally includes dividends or other distributions received from a PFIC in any taxable year to the extent the amount of such distributions exceeds 125 per cent. of the average distributions for the three preceding years (or, if shorter, the investor's holding period). With respect to any Rule 144A Notes that pay interest at a floating rate, it is possible that a United States holder will receive "excess distributions" as a result of fluctuations in the rate of USD-LIBOR over the term of Rule 144A Notes. In general, under the PFIC rules, a United States holder will be required to allocate such excess distributions and any gain realised on a sale of its Notes to each day during the United States holder's holding period for the Rule 144A Notes, and will be taxable at the highest rate of taxation applicable to the Notes for the year to which the excess distribution or gain is allocable (without regard to the United States holder's other items of income and loss for such taxable year) (the **Deferred Tax**). The Deferred Tax (other than the tax on amounts allocable to the year of disposition or receipt of the distribution) will then be increased by an interest charge computed by reference to the rate generally applicable to underpayments of tax (which interest charge generally will be a non-deductible interest expense for individual taxpayers). The Issuer does not intend to provide information that would enable a holder of a note to make a QEF election, and the mark to market election will only be available during any period in which the Notes are traded on a qualifying exchange or market and certain other trading requirements are met. The Issuer encourages persons considering the purchase or ownership of 10 per cent. or more of any class of Rule 144A Notes (or combination of classes) that is treated as equity for U.S. federal income tax purposes to consult their own tax advisors regarding the U.S. federal income tax consequences and filing requirements resulting from such an acquisition under the special rules applicable to CFCs under the Code.

Taxation of Non-United States holders of the Rule 144A Notes

Subject to the backup withholding rules discussed below, a non-United States holder generally should not be subject to U.S. federal income or U.S. withholding tax on any payments on a Rule 144A Note and gain from the sale or retirement of a Rule 144A Note unless: (i) that payment and/or gain is effectively connected with the conduct by that non-United States holder of a trade or business in the United States; (ii) in the case of any gain realised on the sale or exchange of a note by an individual non-United States holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the non-United States holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates. **Non-United States holders are encouraged to consult their own tax advisers regarding the U.S. federal income and other tax consequences to them of owning Rule 144A Notes.**

Backup withholding and information reporting

Backup withholding and information reporting requirements may apply to certain payments on the Rule 144A Notes and proceeds of the sale or redemption of the Rule 144A Notes to United States holders. The Issuer, its agent, a broker, or any Paying Agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding if the United States holder fails to furnish the United States holder's taxpayer identification number (usually on IRS Form W-9), to certify that such United States holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain United States holders are not subject to the backup withholding and information reporting requirements. Non-United States holders may be required to comply with applicable certification procedures (usually on IRS Form W-8BEN-E) to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding.

Payments of principal or interest made to or through a non-U.S. office of a custodian, nominee or other agent acting on behalf of a beneficial owner of a Rule 144A Note generally will not be subject to backup withholding. However, if such custodian, nominee or other agent is: (i) a United States person (as defined in section 7701(a)(30) of the Code), (ii) a controlled foreign corporation (as defined in section 957(a) of the Code), (iii) a foreign person 50 per cent. or more of whose gross income is effectively connected with a U.S. trade or business for a specified three-year period, or (iv) a foreign partnership if (A) at any time during its tax year, one or more of its partners are United States persons (as defined in applicable Treasury Regulations) who in the aggregate hold more than 50 per cent. of the income or capital interest in the partnership or (B) at any time during its taxable year, it is engaged in a U.S. trade or business (each of (i) through (iv), a **U.S. connected holder**), such custodian, nominee or other agent may be subject to certain information reporting requirements with respect to such payment unless it has in its records documentary evidence that the beneficial owner is not a United States holder and certain conditions are met or the beneficial owner otherwise establishes an exemption. Principal and interest paid by the U.S. office of a custodian, nominee or agent will be subject to both backup withholding and information reporting unless the beneficial owner certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption. Payments of proceeds on the sale of a Note made to or through a foreign office of a broker will not be subject to backup withholding. However, if such broker is a U.S. connected holder, information reporting will be required unless the broker has in its records documentary evidence that the beneficial owner is not a United States holder and certain conditions are met or the beneficial owner otherwise establishes an exemption. Payments of proceeds on the sale of a Note made to or through the U.S. office of a broker will be subject to backup withholding and information reporting unless the beneficial owner certifies, under penalties of perjury, that it is not a U.S. holder or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be refunded or credited against the United States holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS. **Holders of Rule 144A Notes are encouraged to consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.**

Foreign financial asset reporting

U.S. taxpayers that own certain foreign financial assets, including debt of non-U.S. entities, with an aggregate value in excess of \$50,000 at the end of the taxable year or \$75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The Rule 144A Notes are expected to constitute foreign financial assets subject to these requirements unless the Rule 144A Notes are held in an account at certain financial institutions. United States holders should consult with tax advisers regarding the application of the rules relating to foreign financial asset reporting.

IRS disclosure reporting requirements

U.S. Treasury Regulations (the **Disclosure Regulations**) meant to require the reporting of certain tax shelter transactions (**Reportable Transactions**) could be interpreted to cover transactions generally not regarded as tax shelters. Under the Disclosure Regulations it may be possible that certain transactions with respect to the Rule 144A Notes may be characterised as Reportable Transactions requiring a United States holder to disclose such transaction, such as a sale, exchange, retirement or other taxable disposition of a Rule 144A Note that results in a loss that exceeds certain thresholds and other specified conditions are met. **Accordingly, investors are encouraged to consult with their own tax advisers to determine the tax return obligations, if any, with respect to an investment in the Rule 144A Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Statement).**

The above summary is not intended to constitute a complete analysis of all U.S. income tax consequences relating to the acquisition, ownership and disposition of the Rule 144A Notes. Prospective purchasers of the Rule 144A Notes should consult their own tax advisers concerning the tax consequences to them of the acquisition, ownership and disposition of the Rule 144A Notes in light of their particular circumstances under U.S. federal, state, local, foreign and other laws.

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** (as defined by FATCA) 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 Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**) imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to Part 4 of Subtitle B of Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, **ERISA Plans**) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA plan’s particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under “*Risk Factors*” and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Rule 144A Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, **Plans**)) and certain persons (referred to as “parties in interest” or “disqualified persons”) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Rule 144A Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan or having a relationship to such service provider, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (PTCE) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). **Prospective investors should consult with their advisers regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Rule 144A Notes.**

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to U.S. federal, state, local or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (**Similar Law**). Fiduciaries of any such plans should consult with their counsel before purchasing the Rule 144A Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

Accordingly, each purchaser and transferee of a Rule 144A Note or any interest therein will be deemed to have represented and agreed that either (a) it is not and for so long as it holds any such Rule 144A Note or any interest therein will not be (and will not be acting on behalf of) (i) an employee benefit plan as defined in and subject to Part 4 of Subtitle B of Title I of ERISA, (ii) a plan as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets are deemed for purposes of ERISA or Section 4975 of the Code to include “plan assets” of any such plan or employee benefit plan (any of (i), (ii) or (iii), a **Benefit Plan Investor**), or (iv) any employee benefit plan subject to any Similar Law, or (b) its acquisition, holding and disposition of any Rule 144A Note will not constitute or result in a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or, as applicable, in a violation of any Similar Law.

The U.S. Department of Labor (the **DOL**) has promulgated a regulation, 29 C.F.R. Section 2510.3-101, describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of ERISA's fiduciary provisions and Section 4975 of the Code, which was modified in part by Section 3(42) of ERISA (the **Plan Asset Regulation**). Under the Plan Asset Regulation, subject to certain exceptions, if a Plan invests in an "equity interest" of an entity, then the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that equity participation in the entity by Benefit Plan Investors is not "significant" (as described below). If the underlying assets of the entity are deemed to be "plan assets", the obligations and other responsibilities of Plan sponsors, Plan fiduciaries and Plan administrators, and of "parties in interest" and "disqualified persons" (as defined under ERISA and the Code), under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favourable statutory or administrative exemption or exception applies); in addition, various providers of fiduciary or other services to the entity, and any other parties with authority or control with respect to the entity, could be deemed to be Plan fiduciaries or otherwise parties in interest or disqualified persons by virtue of their provision of such services (and there could be an improper delegation of authority to such providers).

Generally, equity participation by Benefit Plan Investors in an entity is "significant" under the Plan Asset Regulation if, immediately after the most recent acquisition of any equity interest in the entity, 25 per cent. or more of the value of any class of equity interests in the entity is held by Benefit Plan Investors, disregarding equity interests held by persons with discretionary authority or control over the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates thereof. For purposes of the Plan Asset Regulation, an equity interest includes any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that as long as the Rule 144A Notes retain an investment grade rating, they should not be treated as equity interests for the purposes of the Plan Asset Regulation and, therefore, the Plan Asset Regulation should not apply to cause the assets of the Issuer to be treated as "plan assets". There is, however, increased uncertainty regarding the characterisation of debt instruments that do not carry an investment grade rating. Consequently, a withdrawal or downgrade to below investment grade of the rating of any Rule 144A Note may cause such Rule 144A Note to be treated as an equity interest for the purposes of the Plan Asset Regulations at the time of any subsequent transfer of such Rule 144A Note to a Benefit Plan Investor. Accordingly, such Benefit Plan Investor that purchases or acquires a Rule 144A Note will be deemed to have represented and agreed that at the time of such acquisition of the Rule 144A Notes, such notes are rated at least investment grade, and that such purchaser or transferee believes that the Rule 144A Notes are properly treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulations, and agrees to so treat the Rule 144A Notes.

Benefit Plan Investors will not be permitted to purchase or hold Reg S Notes or the Subordinated Note. Accordingly, with respect to the Reg S Notes and the Subordinated Note, each purchaser and transferee of such Reg S Notes or Subordinated Note will be deemed to have represented and agreed either that (i) it is not, and is not deemed for purposes of ERISA or Section 4975 of the Code to be, and for so long as it holds such Reg S Note or Subordinated Note (or any interest therein) will not be or be deemed for such purposes to be, a Benefit Plan Investor or an employee benefit plan subject to Similar Law or (ii) it will be an employee benefit plan that is not a Benefit Plan Investor and is subject to Similar Law, and the acquisition, holding and disposition of the Reg S Notes or the Subordinated Note do not and will not violate any Similar Law. Any purported purchase or transfer of Reg S Notes or Subordinated Note that do not comply with the foregoing shall be null and void *ab initio*.

The sale of a Rule 144A Note to a Plan is in no respect a representation by the Issuer or the Joint Lead Managers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA AND OTHER U.S. IMPLICATIONS OF AN INVESTMENT IN THE SECURITIES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISERS PRIOR TO INVESTING TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

SUBSCRIPTION AND SALE

Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banco de Sabadell, S.A. and Citigroup Global Markets Limited (as **Joint Lead Managers**) will, pursuant to a subscription agreement to be dated on or about the date hereof amongst each Joint Lead Manager, the Seller and the Issuer (the **Subscription Agreement**), agree with the Issuer (subject to certain conditions) to subscribe and pay for:

- (a) 100 per cent. of the Class A1a Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A1a Notes; and
- (b) 52.73 per cent. of the Class A1b Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A1b Notes.

The Joint Lead Managers may sell their allocation of Class A1a Notes, the Class A1b Notes and Class A2 Notes to subsequent purchasers in individually negotiated transactions at negotiated prices which may vary among different purchasers and which may be greater or less than the issue price of the Class A1a Notes, the Class A1b Notes and the Class A2 Notes.

TSB Bank (as the Note Purchaser and the Subordinated Note Purchaser) will also agree with the Issuer pursuant to the Subscription Agreement (subject to certain conditions) to subscribe and pay for:

- (a) 47.27 per cent. of the Class A1b Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A1b Notes;
- (b) 100 per cent. of the Class A2 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A2 Notes;
- (c) 100 per cent. of the Class A3 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A3 Notes;
- (d) 100 per cent. of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes
- (e) 100 per cent. of the Class C Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class C Notes;
- (f) the Subordinated Note in an initial principal amount of £207,000,000; and
- (g) the Retention Note in an initial principal amount of £170,656,000.

The Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

Other than admission of the Rated Notes to the regulated market of the London Stock Exchange and admission of the Rated Notes to the Official List, no action has been taken by the Issuer, the Joint Lead Managers or the Arranger, which would or is intended to permit a public offering of the Rated Notes, or possession or distribution of this Prospectus or other offering material relating to the Rated Notes, in any country or jurisdiction where action for that purpose is required.

The Joint Lead Managers will undertake not to offer or sell, directly or indirectly, Notes, or to distribute or publish this Prospectus or any other material relating to 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.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

Pursuant to the Subscription Agreement, the Seller, as originator, has undertaken that it will, *inter alia*:

- (a) 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(1) of the CRR, Article 17 of the AIFMD and Article 51(1) of AIFMR 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 retention

requirement will be comprised of the Retention Note which will equal no less than 5 per cent. of the nominal value of each Class of Notes sold or transferred to investors on the Closing Date as required by the EU Risk Retention Requirements; and

- (b) Retain the EVI in accordance with U.S. Credit Risk Retention Requirements. As at the Closing Date, such U.S. Credit Risk Retention Requirements will be satisfied by the Retention Noteholder holding the Retention Note. See “*Certain Regulatory Disclosures—U.S. Credit Risk Retention Requirements*”.

Any change to the manner in which an interest under (a) or (b) above is held will be notified to the Noteholders.

United States

Each of the Joint Lead Managers has acknowledged in the Subscription Agreement that the Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and therefore may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except, with respect to the Rule 144A Notes only, to persons that are QIBs in reliance on Rule 144A or, pursuant to any other exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state securities laws. In addition, the Notes cannot be resold in the United States or to U.S. persons unless they are subsequently registered or an exemption from registration is available.

In connection with any Reg S Notes, each Joint Lead Manager has agreed that with respect to the relevant Reg S Notes for which it has subscribed that it will not offer, sell or deliver the Reg S Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Reg S Notes and the Closing Date (the **Distribution Compliance Period**) within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Rule 903 or 904 of Regulation S. Each Joint Lead Manager has further agreed that it will have sent to each distributor, dealer or other person receiving a selling commission, fee or other remuneration that purchases Reg S Notes from it during the Distribution Compliance Period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Reg S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from the registration requirements of the Securities Act.

The Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A and each purchaser of Notes is hereby notified that the Joint Lead Managers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Rule 144A Notes which may be purchased by a QIB pursuant to Rule 144A is €100,000 (or the approximate equivalent thereof in any other currency). To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as restricted securities within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States to non-US persons in accordance with Regulation S and for the resale of the Notes in the United States in accordance with Rule 144A. The Issuer and the Joint Lead Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB as defined in Rule 144A to whom an offer has been made directly by a Joint Lead Manager or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and

those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

Each Joint Lead Manager has acknowledged that Reg S Notes and the Subordinated Note may not be purchased or held by any Benefit Plan Investor and each purchaser of any such Note will be deemed to have represented, warranted and agreed that it is not, and for so long as it holds such Note will not be, such a Benefit Plan Investor.

United Kingdom

Each Joint Lead Manager will represent, warrant and agree with the Issuer, *inter alia*, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Joint Lead Manager has acknowledged that, save for the Issuer having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA and having applied for the admission of the Class A Notes to the regulated market of the London Stock Exchange and admission of the Class A Notes to the Official List, no further action has been or will be taken in any jurisdiction by each Joint Lead Manager 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.

General

Each Joint Lead Manager will undertake 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.

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Seller and its affiliates in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes or whether a specified barrier or level is reached. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Investor Representations and Restrictions on Resale

Each purchaser of the Notes (other than the Joint Lead Managers and the Subordinated Noteholder) (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:

- (1) (A) in the case of the Rule 144A Global Notes, it is a QIB and is acquiring such Notes for its own account or as a fiduciary or agent for others (which others must also be QIBs) for investment purposes and not for distribution in violation of the Securities Act, it is able to bear the economic risk of an investment in the Rule 144A Notes and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Notes and it is aware, and each beneficial owner of the Notes has been advised, that the sale of such Notes is being made in reliance on Rule 144A; or (B) in the case of the Reg S Global Notes, it is not a “U.S. person” (within the meaning of Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate and is acquiring such Notes for its own account or as a fiduciary or agent for other non-U.S. persons in an offshore transaction (as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S;
- (2) such Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act and such Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) unless it holds an interest in a Reg S Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the Closing Date and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the Seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;
- (4) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (3) above, if then applicable;
- (5) it understands that the Notes offered in reliance on Rule 144A will be represented by the Rule 144A Global Notes. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Reg S Global Note, it will be required to provide a transfer agent with a written certification (in the form provided in the Trust Deed) as to compliance with applicable securities laws;
- (6) it also understands that the Notes offered in reliance on Regulation S will be represented by the Reg S Global Notes. Before any interest in the Reg S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note, it will be required to provide a transfer agent with a written certification (in the form provided in the Trust Deed) as to compliance with applicable securities laws; and
- (7) it understands that the issuer, the registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the acknowledgements, representations and agreements contained in this section “*Transfer Restrictions.*” If it is acquiring any Notes for the account of one or more QIBs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Legend

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any series of the Notes is outstanding, a Reg S Global Note will bear a legend substantially as set forth below:

NEITHER THIS NOTE NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE ISSUER HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN **INVESTMENT COMPANY** UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, ANY TRANSFER OF THE NOTES MAY ONLY BE MADE: (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**) OR (B) TO OR FOR THE ACCOUNT OR BENEFIT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**)). ANY PURPORTED TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG TO THE REGISTRAR OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG (AND ANY PAYMENT HEREON IS MADE TO EUROCLEAR OR CLEARSTREAM, LUXEMBOURG OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, EUROCLEAR OR CLEARSTREAM, LUXEMBOURG, HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE COMMON SAFEKEEPER OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ANY APPLICABLE REGULATIONS.

BY ITS ACQUISITION AND HOLDING OF THIS NOTE, EACH HOLDER OF THIS NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN **EMPLOYEE BENEFIT PLAN** AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**) WHICH IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR A **PLAN** AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**), (II) AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (**SIMILAR LAW**), OR (III) AN ENTITY (**PLAN ASSETS ENTITY**) WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA, SECTION 4975 OF THE CODE, OR ANY SIMILAR LAW TO INCLUDE PLAN ASSETS BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY, OR (B) IT WILL BE AN EMPLOYEE BENEFIT PLAN, PLAN OR PLAN ASSETS ENTITY THAT IS NOT SUBJECT TO ERISA OR SECTION 4975 OF THE CODE AND IS SUBJECT TO SIMILAR LAW, AND THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST THEREIN DO NOT AND WILL NOT VIOLATE ANY SIMILAR LAW. ANY PURPORTED TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

THE PURCHASER OR ACQUIROR ACKNOWLEDGES THAT THE ISSUER RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any series of the Notes is outstanding, a Rule 144A Global Note will bear a legend substantially as set forth below:

NEITHER THIS NOTE NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE ISSUER HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN **INVESTMENT COMPANY** UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. ANY PURPORTED TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE COMMON SAFEKEEPER OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ANY APPLICABLE REGULATIONS.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN **EMPLOYEE BENEFIT PLAN** AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**) WHICH IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR A **PLAN** AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**), (II) AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (**SIMILAR LAW**), OR (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, TO INCLUDE PLAN ASSETS BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY, OR (B) THAT (1) AT THE TIME IT ACQUIRES THIS NOTE, IT BELIEVES THAT THIS NOTE IS RATED AT LEAST INVESTMENT GRADE AND IS PROPERLY TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY FEATURES FOR PURPOSES OF THE PLAN ASSET REGULATIONS (AT 29 C.F.R. 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA)) AND AGREES TO SO TREAT THIS NOTE AND (2) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, IS NOT IN VIOLATION OF ANY SIMILAR LAW).

THE PURCHASER OR ACQUIROR ACKNOWLEDGES THAT THE ISSUER RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. TERMS WHICH ARE USED IN THIS LEGEND AND NOT OTHERWISE DEFINED HEREIN, HAVE THE MEANINGS GIVEN TO THEM UNDER SUCH RULE.

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.

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LISTING AND GENERAL INFORMATION

1. It is expected that the admission of the Rated Notes to the Official List and the admission of the Rated Notes to trading on the regulated market of the London Stock Exchange will be granted on or about the Closing Date. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction. The Subordinated Note and the Retention Note will not be listed.
2. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since the date of incorporation of the Issuer which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer (as the case may be).
3. The auditors of the Issuer are PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales. No statutory or non-statutory accounts within the meaning of Section 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as the Rated Notes are admitted to trading on the regulated market of the London Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Rated Notes are listed on the Official List and traded on the regulated market of the London Stock Exchange, the Issuer shall maintain a Principal 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 30 March 2016 (being the date of incorporation 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 was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 19 May 2016.
8. The Rated Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (as applicable) under the following ISIN Numbers and Common Codes (as applicable):

Class	ISIN		Common Code	
Class A1a Notes	Reg S:	XS1409635189	Reg S:	140963518
	Rule 144A:	XS1413355709	Rule 144A:	141335570
Class A1b Notes	Reg S:	XS1409639686	Reg S:	140963968
	Rule 144A:	XS1409655880	Rule 144A:	140965588
Class A2 Notes	Reg S:	XS1409667976	Reg S:	140966797
	Rule 144A:	XS1409668354	Rule 144A:	140966835
Class A3 Notes	Reg S:	XS1409679807	Reg S:	140967980
	Rule 144A:	XS1409674832	Rule 144A:	140967483
Class B Notes	Reg S:	XS1409685101	Reg S:	140968510
	Rule 144A:	XS1409694434	Rule 144A:	140969443
Class C Notes	Reg S:	XS1409702047	Reg S:	140970204
	Rule 144A:	XS1409710149	Rule 144A:	140971014

9. From the date of this Prospectus and for so long as the Rated Notes remain outstanding (including during the period while the Notes are listed on the Official List) and traded on the regulated market of the London Stock Exchange, copies of the following documents may be inspected at the registered office of the Issuer during usual business hours, on any weekday (public holidays excepted):
- (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;
 - (b) copies of the following documents:
 - a. the Agency Agreement;
 - b. the Deed of Charge;
 - c. the Scottish Supplemental Charge;
 - d. the Mortgage Sale Agreement;
 - e. each Scottish Declaration of Trust;
 - f. the Cash Management Agreement;
 - g. the Bank Account Agreement;
 - h. the Servicing Agreement;
 - i. the Corporate Services Agreement;
 - j. the Master Definitions and Construction Schedule;
 - k. the Trust Deed;
 - l. the Swap Collateral Bank Account Agreement(s);
 - m. the Interest Rate Swap Agreement; and
 - n. the Currency Swap Agreement.
10. Other than the Monthly Investor Report to be published by the Cash Manager within 20 calendar days of the end of each Monthly Period and the Quarterly Report to be published by the Cash Manager within one month of each Interest Payment Date, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans. Such reports will be published on the following website: www.tsb.co.uk/investors/debt-investors. The website and the contents thereof do not form part of this Prospectus.
- Each Monthly Investor Report shall contain a glossary of terms used in such report.
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. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
12. The estimated total expenses related to the admission to trading of the Notes will be £7,500 (exclusive of VAT).

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REGISTERED OFFICE OF THE ISSUER

DUNCAN FUNDING 2016-1 PLC

35 Great St. Helen's
London EC3A 6AP

**SELLER, SERVICER, CASH MANAGER, DEMATERIALIZED NOTE REGISTRAR, SUBORDINATED NOTEHOLDER AND
RETENTION NOTEHOLDER**

TSB Bank plc

Henry Duncan House
120 George Street
Edinburgh EH2 4LH

ARRANGER

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ

JOINT LEAD MANAGERS

Banco de Sabadell, S.A.

Plaça Sant Roc, 20
08201 Sabadell
Barcelona
Spain

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ

**Merrill Lynch, Pierce,
Fenner & Smith**

Incorporated
One Bryant Park, 11th Floor
New York, New York 10036

**Citigroup Global Markets
Limited**

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

INTEREST RATE SWAP PROVIDER AND CURRENCY SWAP PROVIDER

Wells Fargo Bank, N.A., London Branch

One Plantation Place
30 Fenchurch Street
London EC3M 3BD

**ISSUER ACCOUNT BANK, SWAP COLLATERAL ACCOUNT BANK, AGENT BANK,
PRINCIPAL PAYING AGENT AND REGISTRAR**

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

NOTE TRUSTEE AND SECURITY TRUSTEE

Citicorp Trustee Company Limited

Citigroup Centre, Canada Square, Canary Wharf
London E14 5LB

BACK-UP FACILITATOR

Structured Finance Management Limited

35 Great St. Helen's
London EC3A 6AP

LEGAL ADVISERS TO SELLER, SERVICER, CASH MANAGER AND SUBORDINATED NOTEHOLDER

(as to English and United States law)

Allen & Overy LLP

One Bishops Square
London E1 6AD

(as to Scots law)

CMS Cameron McKenna

Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

**LEGAL ADVISERS TO ARRANGER AND JOINT LEAD
MANAGERS**

(as to English and United States law)

Herbert Smith Freehills LLP

Exchange House
Primrose Street
London EC2A 2EG

**LEGAL ADVISERS TO NOTE TRUSTEE AND SECURITY
TRUSTEE**

(as to English law)

Herbert Smith Freehills LLP

Exchange House
Primrose Street
London EC2A 2EG

AUDITORS OF ISSUER

PricewaterhouseCoopers LLP

144 Morrison Street
Edinburgh EH3 8EX